

Australian National Audit Office

ANNUAL REPORT 2017–18

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8 August 2018

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

Dear Mr President
Dear Mr Speaker

In accordance with section 28 of the *Auditor-General Act 1997*, I present to the Parliament my report on the activities of the Australian National Audit Office for the year ended 30 June 2018.

As required by section 10 of the Public Governance, Performance and Accountability Rule 2014, I certify that:

- the ANAO has prepared fraud risk assessments and fraud control plans;
- the ANAO has in place appropriate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs; and
- I have taken all reasonable measures to appropriately deal with fraud relating to the ANAO.

Following the tabling of the Australian National Audit Office Annual Report 2017–18, the report will be made available on the Australian National Audit Office's official website: www.anao.gov.au.

Yours sincerely

Grant Hehir
Auditor-General

About this report

This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ending on 30 June 2018.

The report addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule); the *Auditor-General Act 1997*; the performance measures set out in the outcome and programs framework in the ANAO's 2017–18 Portfolio Budget Statements (PBS), the ANAO Corporate Plan 2017–18 and annual reporting requirements set out in other relevant legislation.

- Part 1 of the report, 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 an overview of the ANAO's purpose, role, and values; outcomes as set out in the Portfolio Budget Statements; organisation and the organisational structure; and relationship with Parliament.
- Part 3 provides the Annual Performance Statement, which includes a summary of the work undertaken by the ANAO in 2017–18, the report on financial performance and the audited financial statements for 2017–18.
- Part 4 provides information on the ANAO's governance arrangements and frameworks.
- Part 5 contains the reports appendices.
- Part 6 contains references to assist the reader to use the report—an abbreviations list, an index showing how reporting requirements are addressed in the main report, and a subject index.

This report, Auditor-General reports and other ANAO publications, as well as information about the ANAO, are available online at www.anao.gov.au.

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

Ms. Deborah Rollings
Senior Executive Director
Corporate Management Branch
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Phone: (02) 6203 7300

Email: communication@anao.gov.au

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Part 1—Foreword by the Auditor-General

The year in review

As Auditor-General for Australia I am pleased to present this annual report to the Parliament. This year has seen the Australian National Audit Office (ANAO) continue to deliver high quality audit reports to ensure it delivers against its mandate under the *Auditor-General Act 1997* (the Act).

On 21 February 2018, the Prime Minister and Cabinet Legislation Amendment (2017 Measures No. 1) Act 2018 amended the Act to reintroduce my ability to table ANAO annual reports directly to the Parliament. This aligns my annual reporting requirements with my responsibility to the Parliament and supports the independence of the Auditor-General.

The ANAO Corporate Plan 2017–18 sets out how the ANAO will deliver on its purpose and outlines 21 performance measures that are reported in Part 3: Report on Performance. In 2017–18, the ANAO issued 238 financial statements opinions and presented three financial audit related reports to the Parliament. The office also tabled 47 performance audits and provided briefings or submissions to parliamentary committees on 36 occasions.

The ANAO continues to focus on making full use of the audit mandate through developing methodology and building different report types including limited assurance reviews and information reports. In 2017–18 the ANAO published two assurance reviews under section 19A(1) of the Act and one information report in accordance with section 25 of the Act. The development of different audit techniques allows the ANAO to provide a greater range of assurance to the Parliament. The ANAO also continued to increase its coverage of efficiency issues with four performance audits focussing on efficiency tabled in 2017–18. The increased focus on efficiency reflects the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act) defining proper use or management of public resources to mean efficient, effective, economical and ethical.

As part of its focus on the implementation of the PGPA Act the ANAO also continued its work on performance statement audits, tabling the second audit in the series in March 2018 and commencing the third, which is due to table in November 2018. This work will ensure that the ANAO is well placed to respond to the recommendation by the JCPAA and draft recommendation by the PGPA Act Review relating to the expansion of this work. As I have informed the JCPAA and the Review, I believe that the mandatory annual auditing of Performance Statements is essential for the effective implementation of this important component of the accountability framework.

In 2017–18 the ANAO introduced reporting on 'key learnings for all Australian Government entities' in performance audit reports. This identifies key issues arising out of ANAO audits that all entities should consider. The ANAO has also increased its publication of audit insights. These publications identify and discuss common recurring issues, shortcomings and good practice examples, identified through our financial statement and performance audit work. Six audit insight publications were released covering a broad range of topics. As highlighted in the ANAO Annual Work Program, key issues emerging from reports tabled in 2017–18 included:

- Getting the basics right on important governance issues such as compliance with mandatory requirements, assessing performance, record keeping, and risk management.
- Maximising value for money from having an understanding of the market and maintaining competition through the procurement process.
- Using evidence in the design, implementation and review of programs.

The ANAO strives to achieve the highest quality in all of its work and particularly values the insights given by external reviews. In 2017–18, the ANAO for the first time engaged the Australian Securities and Investments Commission (ASIC) to conduct an external independent review of the ANAO's Quality Assurance Framework and two audits of financial statements for the year ended 30 June 2017. The reviews were conducted using ASIC's methodology for reviewing private sector audits. ASIC made a number of recommendations that the ANAO is in the process of implementing. The Independent Auditor undertook a performance audit of the ANAO's cyber security processes which was tabled in Parliament on 4 December 2017. The report included a number of valuable recommendations relating to the ANAO's own IT environment and the ANAO's cyber security performance audits of other Australian entities. The ANAO response to the report's recommendations is available on the ANAO website.

During this financial year the Systems Assurance and Data Analytics Group was established as part of the ANAO's corporate structure. Its focus is on increasing quality and productivity in our audit work in an environment of increased data collection and generation in the public sector. Investing in the data analysis capability of the ANAO is also expected to support audit planning, improved audit outcomes, and potentially new audit products and services.

In April 2018 the ANAO finalised the 2018–2022 Workforce Plan. The objective of the plan is to ensure that the ANAO has a professional and capable workforce that can respond to the Auditor-General's mandate and priorities in coming years.

The ANAO has a close working relationship with the JCPAA, established and governed by the Act and the *Public Accounts and Audit Committee Act 1951*. Throughout the year, the ANAO made 11 appearances or submissions assisting the JCPAA inquiries into Auditor-General reports and its inquiries into the Performance Management Reform agenda.

The year ahead

Publication of the ANAO's annual audit work program is a significant step in the organisation's performance information. It highlights to the Parliament and the sector at large, the areas of focus for the ANAO in the year ahead. Key features of the ANAO's 2018–19 Annual Audit Work Program include:

- an ongoing focus on the key accountabilities as outlined in the PGPA Act, including efficiency, effectiveness, economy and ethics;
- compliance with legislation and government policy frameworks;
- promoting transparency on the effective use of taxpayers' money through audits of procurement processes, contract management and grants management;
- program implementation and risk management in major areas of public investment, such as in Defence capability; large-scale infrastructure such as the national broadband network; the National Disability Insurance Scheme; and programs targeting Aboriginal and Torres Strait Islander peoples;
- value-for-money and transparency of the operations of government business enterprises;
- transparency in the measurement of performance and impact against agreed program objectives;
- effective delivery of services to citizens; and
- cyber resilience, including IT security and systems controls.

In 2016, the ANAO introduced the Future Ready Change Program (Future Ready) which was designed to position the ANAO to deliver audit services to the Parliament into the future. As the ANAO's Future Ready strategy has come to a close the ANAO is transitioning to managing change as an ongoing part of business and embed a culture of continuous improvement. As outlined in the ANAO Corporate Plan 2018–19, the ANAO will support the delivery of its purpose by investing in improved ways of working, data and

analysis, and workforce capability. 2018-19 will be a period of significant change for the ANAO as the office:

- transitions to new ways of working in a refurbished office;
- transitions to a new IT services contract; and
- implements the ANAO Workforce Plan.

Building the office's data analytics capability is a particular priority as the entities the ANAO audits continue to collect, generate and share ever-increasing volumes of data and information. Increased capacity in this space will enable automation of some audit processes, supporting a focus on high risk areas within entities and driving efficiency within the audit process. Increasing the data analytics capability will be driven by the implementation of the ANAO's data analytics road map and a data analytics pilot with the Department of Infrastructure, Regional Development and Cities. I have flagged in my liaison with Accountable Authorities that more real time electronic access to data and records has the potential to increase efficiency and quality for the ANAO and for them. I thank the Department of Infrastructure, Regional Development and Cities for participating in a pilot to help us build our approach.

Finally, a key focus for 2018-19 will be to continue to improve the ANAO's support to the Parliament. We have a number of measures already in place including briefing individual members and committees, making submissions and appearances and providing summaries of reports to Senate estimates committees. A key challenge for us will be to seek to improve our support and we will continue to develop our strategic communication strategy, asking what more can be done to inform the Parliament and improve the ANAO's relationship with the Parliament.



Grant Hehir
Auditor-General

Part 2—Overview of the ANAO

Purpose

The purpose of the Australian National Audit Office (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.

The ANAO is established under Part 6 of the [Auditor-General Act 1997](#) (the Act). Section 39 of the Act states that the function of the Audit Office is to assist the Auditor-General in performing the Auditor-General's functions, and Part 6 of the Act establishes the ANAO under the [Public Service Act 1999](#) and requires it to operate as an entity under the [Public Governance, Performance and Accountability Act 2013](#) (the PGPA Act). The ANAO supports the Auditor-General in the role as an independent officer of the Parliament.

The executive arm of the Australian Government is accountable to Parliament for its use of public resources and the administration of legislation passed by the Parliament. The Auditor-General scrutinises and provides independent assurance as to whether the executive is operating and accounting for its performance in accordance with Parliament's intent.

Role

The Auditor-General is appointed for a term of ten years by the Governor-General on the recommendation of the Joint Committee of Public Accounts and Audit (JCPAA) and the Prime Minister. As an independent officer of the Parliament, the Auditor-General has complete discretion in the performance or exercise of the functions or powers under the Act. In particular, the Auditor-General is not subject to direction in relation to:

- whether a particular audit is to be conducted;
- the way a particular audit is to be conducted; or
- the priority given to any particular matter.

In the exercise of the functions or powers under the Act, the Auditor-General must have regard to the audit priorities of the Parliament, as determined by the JCPAA.

Under the Act, the Auditor-General's functions include:

- auditing the financial statements of Commonwealth entities, Commonwealth companies and their subsidiaries;
- conducting performance audits, assurance reviews, and audits of the performance measures, of Commonwealth entities and Commonwealth companies and their subsidiaries, other than government business enterprises where a request from the JCPAA is required for the work to be undertaken;
- conducting a performance audit of a Commonwealth partner as described in section 18B of the Act;
- 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.

Values

The ANAO values respect, integrity and excellence — values that align with the Australian Public Service (APS) values and address the unique aspects of the ANAO's role and operating environment. The ANAO's values guide the office in performing its role objectively, with impartiality and in the best interests of the Parliament.

Organisation

The ANAO has one outcome: to improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the executive and the public. The ANAO outcomes and programs framework can be found in Appendix 1.

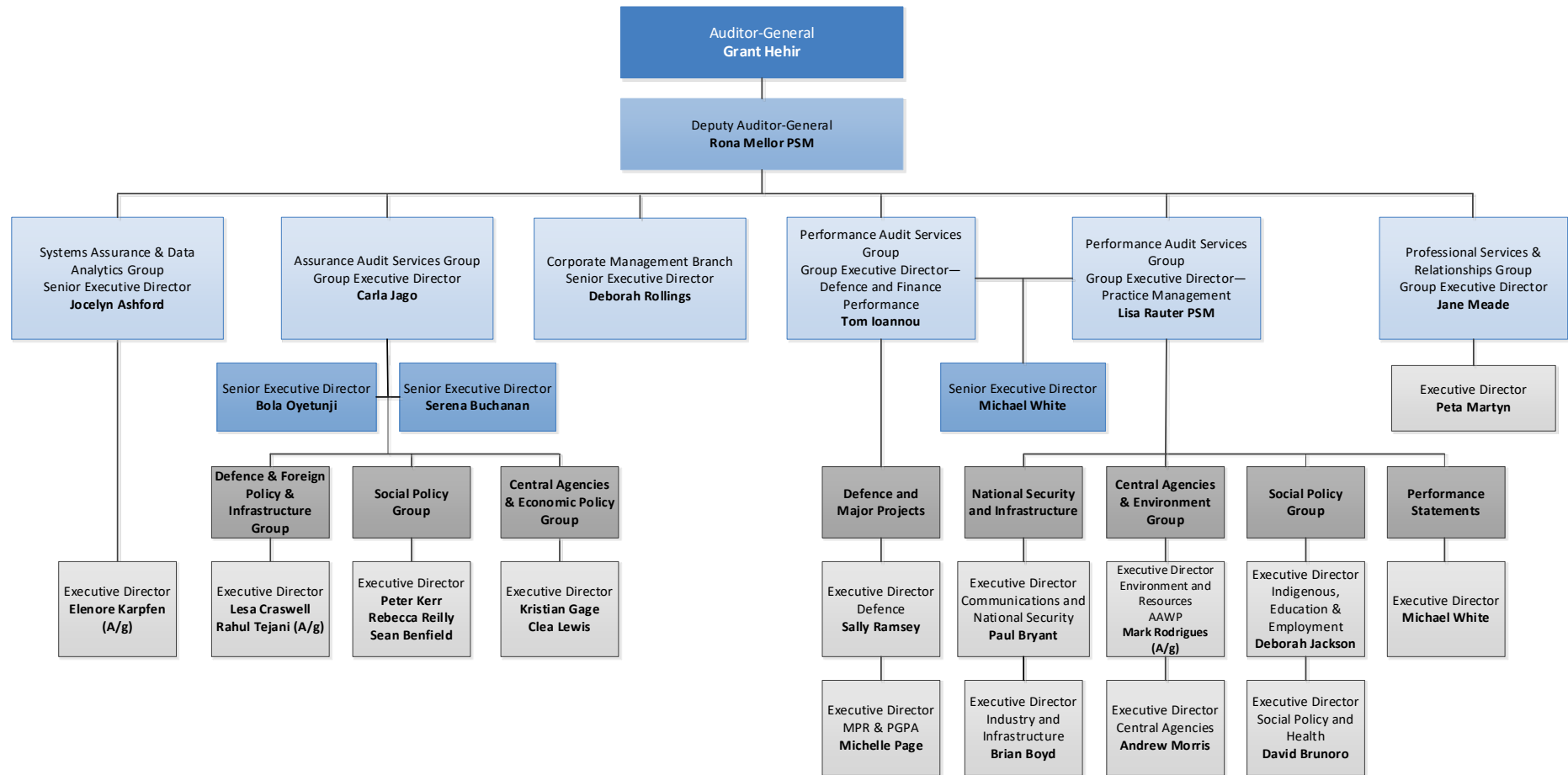
To deliver on the ANAO's purpose, the Auditor-General has organised the ANAO into five functional areas.

- **Assurance Audit Services Group** provides independent assurance on the financial statements and financial administration of all Australian Government entities. It also conducts assurance reviews.
- **Corporate Management Branch** leads corporate strategy and change for the ANAO. It provides services based on specialised knowledge, best practices and technology that enable the delivery of the ANAO's purpose and audit outcomes.
- **Performance Audit Services Group** conducts performance audits and assurance reviews of Australian Government entities and their activities and produces related publications and other information reports.
- **Professional Services and Relationships Group** provides technical accounting, audit and legal advice and support to the Auditor-General, establishes, manages and monitors the implementation of the quality assurance framework, and manages the ANAO's external relations.
- **Systems Assurance and Data Analytics Group** provides IT audit and data analytics support to the ANAO's assurance and performance audit work, with staff from a range of professional and technical backgrounds including project management, system administration, database development, data analysis and financial systems management.

The ANAO created the Systems Assurance and Data Analytics Group in late 2017. Its focus is on increasing quality and productivity in delivery of audit work in an environment of increased data collection and generation in the public sector. Investing in the data capability of the ANAO is also expected to support audit planning, improve audit outcomes, and new audit products and services.

The organisational and senior management structure of the ANAO at 30 June 2018 is shown in Figure 2.1.

Figure 2.1: Organisational and senior management structure at 30 June 2018



Relationship with the Parliament

Through the audit and related services the ANAO provides to the Parliament, the Australian public can have confidence that the Auditor-General is examining and reporting on the actions of public sector entities and whether public funds are being used economically, efficiently, effectively and ethically.

Joint Committee of Public Accounts and Audit

The JCPAA is the ANAO's oversight committee. The JCPAA is one of the joint committees of the Commonwealth Parliament, and is established by the *Public Accounts and Audit Committee Act 1951*. The JCPAA formally links the Auditor-General and the ANAO to the Parliament. The Committee approves the proposed appointment of the Auditor-General, reviews all Auditor-General reports, reviews annual resource requirements and operations of the ANAO and reports of the Independent Auditor, and advises the Auditor-General on the Parliament's audit priorities.

The JCPAA is 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 Parliament. In 2017–18, officers of the ANAO attended ten private briefings and public hearings as part of the JCPAA's review of audit reports. The JCPAA conducted 11 inquiries throughout 2017–18, resulting in the tabling of eight reports on its review of Auditor-General reports. The Auditor-General and staff from the ANAO assist the Committee throughout its inquiries, including appearing in hearings. An outline of these inquiries and reports is provided in Table 2.1.

Table 2.1: JCPAA inquiries and reports

JCPAA Report No.	Inquiry	Based on Auditor-General Report
463	Commonwealth Financial Statements	Auditor-General Report No. 33 (2016–17) Financial Statements of Australian Government Entities for the Period Ended 30 June 2016
464	Commonwealth Grants Administration	Auditor-General Report No. 25 (2015–16) Delivery and Evaluation of Grant Programmes Auditor-General Report No. 4 (2016–17) Award of Funding under the 20 Million Trees Programme Auditor-General Report No. 12 (2016–17) The Design of, and Award of Funding Under, the Living Safe Together Grants Programme Auditor-General Report No. 35 (2016–17) Indigenous Advancement Strategy
465	Commonwealth Procurement	Auditor-General Report No. 1 (2016–17) Procurement of the International Centre for Complex Project Management to Assist on the OneSKY Australia Program Auditor-General Report No. 13 (2016–17) Delivery of Health Services in Onshore Immigration Detention Auditor-General Report No. 16 (2016–17) Offshore Processing Centres in Nauru and Papua New Guinea: Procurement of Garrison Support and Welfare Services

JCPAA Report No.	Inquiry	Based on Auditor-General Report
467	Cybersecurity Compliance	Auditor-General Report No. 42 (2016–17) Cybersecurity Follow-up Audit
468	Defence Major Projects	Auditor-General Report No. 40 (2016–17) 2015–16 Major Projects Report Auditor-General Report No. 11 (2016–17) Tiger—Army's Armed Reconnaissance Helicopter
469	Commonwealth Performance Framework	Auditor-General Report No. 6 (2016–17) Corporate Planning in the Australian Public Sector Auditor-General Report No. 58 (2016–17) Implementation of the Annual Performance Statements Requirements 2015–16 Auditor-General Report No. 31 (2015–16) Administration of Higher Education Loan Program Debt and Repayments
470	Defence Sustainment Expenditure	Auditor-General Report No. 2 (2017–18) Defence's Management of Materiel Sustainment
471	Security of Overseas Missions	Auditor-General Report No. 5 (2017–18) Protecting Australia's Missions Overseas: Follow-on
-	Australian Government Contract Reporting	Auditor-General Report No. 19 (2017–18) Australian Government Procurement Contract Reporting (Information Report)
-	Commonwealth Procurement	Auditor-General Report No. 61 (2016–17) Procurement of the National Cancer Screening Register Auditor-General Report No. 9 (2017–18) Management of the Pre-construction Phase of the Inland Rail Programme Auditor-General Report No. 12 (2017–18) Management of the Contract for Telephone Universal Service Obligations
-	Defence Major Projects Report	Auditor-General Report No. 26 (2017–18) 2016–17 Major Projects Report

In total, officers of the ANAO attended 11 private briefings and public hearings in relation to the committee's functions to review Auditor-General reports, the reports of the Independent Auditor, annual resource requirements and operations of the ANAO.

The Act requires the Auditor-General to comply with requests by the JCPAA to submit draft estimates for the ANAO for a financial year before the annual Commonwealth budget for that financial year. The JCPAA has a duty in its legislation to make recommendations to both Houses of Parliament, and to the Minister who administers the Act, on the draft estimates of the ANAO. In 2017–18, the ANAO was subject to a budget savings measure after the draft estimates were submitted to the JCPAA. The ANAO sought authority from the Treasurer to brief the JCPAA on the impact of the measure. Consistent with normal budget operating rules authority was not forthcoming. Subsequent to this the ANAO received advice from the Australian Government Solicitor that the Auditor-General must comply with requests from the JCPAA

notwithstanding budget operating rules. On this basis the Auditor-General has provided advice to the JCPAA that it is open to the JCPAA to make more than one request per budget cycle to provide an update on the ANAO's budget estimates.

The JCPAA also advises the Auditor-General on the Parliament's audit priorities.

Other parliamentary committees

The ANAO briefs and appears before other parliamentary committees, including Senate estimates committees and in the context of specific parliamentary inquiries. ANAO staff also provide briefings to individual members and senators on request. The ANAO was invited to provide private briefings and appear at public hearings before a number of other parliamentary committees in 2017–18. Details of these appearances are provided in the response to Criterion 15 in the report on performance.

Part 3—Report on Performance

Independent assurance report on the annual performance statement

To: the President of the Senate and the Speaker of the House of Representatives

Scope

In accordance with the terms of engagement letter dated 24 May 2018 and my appointment by the Joint Committee for Public Accounts and Audit (JCPAA), I was engaged to perform an independent reasonable assurance engagement in respect of the annual performance statement for the Australian National Audit Office (ANAO) for the period 1 July 2017 to 30 June 2018 (the "Period").

In accordance with s45 of the *Auditor-General Act 1997*, as the Independent Auditor I may conduct a performance audit of the ANAO. This year, my performance audit was to audit the annual performance statement of the ANAO for the period 1 July 2017 to 30 June 2018.

The criteria (the "Criteria") against which I assessed the ANAO's annual performance statement are the performance measures defined by the ANAO to report on their programs and activities, as included in the annual performance statement. This Criteria is developed by the ANAO based on:

- The performance reporting framework: the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)* and Rule; and
- relevant Resource Management Guides.

ANAO's responsibilities

The ANAO is responsible for the annual performance statement and for preparing the annual performance statement in accordance with the Criteria.

Independence and Quality control

I have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, I maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

My responsibility

My responsibility is to express an opinion based on the procedures I have performed and the evidence I have obtained.

This engagement has been conducted in accordance with the Australian Standard on Assurance Engagements (ASAE 3000) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. These standards require that I plan and perform this engagement to obtain reasonable assurance about whether the annual performance statement has been prepared, in all material respects, in accordance with the Criteria, for the Period. The nature, timing and extent of procedures selected depend on my judgement, including the assessment of the risks of material misstatement, whether due to fraud or error, in the annual performance statement. In making those risk assessments, I considered internal control relevant to the ANAO's preparation of the annual performance statement. My procedures included:

Liability limited by a scheme approved under Professional Standards Legislation.

- Determining a materiality threshold to apply
- Reviewing the ANAO's Key Performance Indicator's (KPI's) for relevance, reliability and completeness
- Understanding the framework for compilation of the KPI data, including the source of the information supporting the reported KPI's
- Assessing the supporting information for consistency with the reported KPI in the performance statement.

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

Use of report

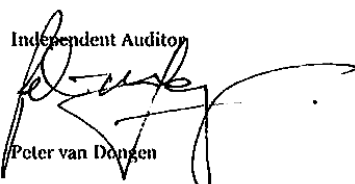
This report was prepared for the President of the Senate and the Speaker of the House of Representatives for the sole purpose of assessing the performance statement of the ANAO in accordance with the performance reporting framework, the *PGPA Act* and Rule and the relevant Resource Management Guides. I disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the President of the Senate and the Speaker of the House of Representatives, or for any purpose other than that for which it was prepared.

Inherent limitations

Because of the inherent limitations of any engagement over reviews of historical non-financial information, it is possible that fraud, error or non-compliance may occur and not be detected. An assurance engagement is not designed to detect all instances of non-compliance of the annual performance statement with the Criteria as it is not performed continuously throughout the Period and the assurance procedures performed in respect of compliance with the performance reporting framework as measured by the Criteria are undertaken on a test basis. The reasonable assurance conclusion expressed in this report has been formed on the above basis.

Conclusion

In my opinion, in all material respects, ANAO has prepared the annual performance statement in accordance with the Criteria for the period 1 July 2017 to 30 June 2018.

Independent Auditor

 Peter van Dongen

Sydney
 7 August 2018

Appendix

Findings and Recommendations

I note that there are a number of Criterion that the ANAO has elected not to include in its performance statement in future. These include the following Criterion within the 2017/18 Performance Statement;

- Criterion 6, Percentage of assurance audit staff available hours charged to audit work
- Criterion 12, Percentage of performance audit staff available hours charged to audit work
- Criterion 20, Percentage of audit staff that undertook at least 20 hours of professional development
- Criterion 21, Percentage increase in followers on ANAO social media platforms.

The ANAO concluded that these measures were not relevant performance criteria supporting the ANAO's achievement of program outcomes 1.1 and 1.2 and therefore decided to remove them from future performance statement reporting. These Criterion have been included in the 2017/18 Performance Statement as they were established and communicated during the planning stages of the 2017/18 Performance Statement. I have assessed that the inclusion of these Criterion in the 2017/18 does not have a material impact on the overall performance statement as they have included additional information that while not entirely relevant, does not detract from the overall information presented in the Performance Statement.

Annual performance statements

As the accountable authority of the Australian National Audit Office, I present the 2017–18 annual performance statements of the Australian National Audit Office, as required under paragraphs 39(1)(a) and 39(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); and section 16F of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity for the reporting period, and comply with subsection 39(2) of the PGPA Act.



Grant Hehir
Auditor-General
7 August 2018

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 statement 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 by arrangement with entities, and in accordance with section 20 of the *Auditor-General Act 1997*.

A performance audit is a review or examination of any aspect of the operations of an entity which is undertaken in accordance with the ANAO Auditing standards. The ANAO's performance audits are presented to the Parliament and identify areas where improvements can be made to aspects of public administration. They often make 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. An assurance review of defence major projects is also undertaken annually.

Analysis of performance against purpose

The performance measurement framework is based on measuring:

- what we did (output);
- how well we did it (quality and/or efficiency); and
- what the benefits were (impact).

Taken together, the performance measures tell a story of the ANAO's achievement of its purpose. The output measures relay progress in the delivery of the ANAO's audit work. This audit work generates findings and recommendations for improvement that are directed at entities and tabled in Parliament. The impact measures seek to provide information on entities' implementation of audit findings and recommendations for the information of the Parliament, and the extent to which Parliament's engagement with our work leads to improvements in public sector administration.

The ANAO performance measures also include measures relating to quality and/or efficiency. The ANAO is committed to demonstrating transparency of its operations. The quality and efficiency measures are intended to demonstrate efficient use of taxpayer resources and the ANAO's commitment to quality in its work.

Overall the ANAO achieved 15 measures out of 21. Where measures were not achieved, the ANAO is comfortable with the justification and has provided details in the response to each criterion on the following pages.

The ANAO's Annual Audit Work Program 2017–18 outlined the Office's focus on: influencing more timely delivery of annual reports and enhancing accessibility of financial statements audit opinions; the delivery of performance audit activity across the full scope of the Auditor-General's mandate; and performance audit coverage across the full spectrum of public sector activity.

Over the course of the year, the ANAO actively engaged with public sector entities to influence more timely delivery of annual reports, including audited financial statements, through advice and support regarding the transition to tiered reporting and simplified financial statements that assist in the readability and transparency of financial information. More timely delivery of annual reports supports transparency of entities operation to the Parliament through being available in time for use at Senate Estimates. In relation to the 2016–17 financial year, reported in 2017–18, 87 per cent of entities had signed their financial statements and the associated auditor's report issued within three months of the end of the year, compared to 80 per cent in the prior year. This supports entities tabling their annual report ahead of the October Senate Estimates period.

The ANAO also tabled three assurance reports in Parliament which summarised the ANAO's assurance audit findings and an assurance review of major defence equipment acquisition projects which reported on 27 Major Projects. At the conclusion of the 2015–16 audit cycle 22 significant and moderate findings were reported. At the conclusion of the 2016–17 audit cycle 68 per cent (15) of these findings were reported as resolved within 12 months of being reported to Parliament. When the timeframe is extended to 18 months the percentage of findings addressed by material entities increases to 95 per cent.

In 2017–18 the ANAO completed 47 performance audits. The primary focus of ANAO performance audits was effectiveness – the extent to which entities delivered on intended objectives. 2017–18 also saw continued emphasis on the economy and efficiency with which entities manage and use public resources, reflecting the Auditor-General's mandate. During the year, the ANAO continued to develop a methodology and associated guidance for examining efficiency themes in performance audits and continued to broaden its coverage to also focus on corporate entities and government business enterprises (GBEs)—noting that

the Auditor-General undertakes audits of GBEs only at the request of the JCPAA. In 2017–18, the ANAO tabled four audits of GBEs.

ANAO performance audits identify 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. Entities indicate their agreement to implement ANAO recommendations in the audit report, which is tabled in Parliament. In this way, entities inform Parliament of improvements they intend to make as a result of ANAO audits. In 2017–18, 85 per cent of recommendations made in audit reports were agreed by entities. Further information in relation to this measure can be found in the response to Criterion 13.

The ANAO has started measuring entities implementation of performance audit recommendations over time. The ANAO also sought advice from all relevant entities on progress in implementing recommendations made in audits tabled in 2015–16. Entities reported that 89 percent of recommendations made during the period had been implemented within 24 months.

Through delivery of its annual audit work program, the ANAO continues to play an important role in advising the Parliament, through the JCPAA, on the implementation of reforms to the resource management framework following the introduction of the PGPA Act. A key aspect of this role has included an examination of the effectiveness of corporate planning, performance reporting and risk management in the public sector. Along with the examination of new areas of public administration, a continuing role for the ANAO is reviewing entities' implementation of recommendations arising from earlier audits, with eleven performance audits that either followed up on an entity's progress in implementing recommendations, or followed on from other related audits.

A sound quality framework supports delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in reports prepared for the Parliament. A key element of the ANAO Quality Assurance Framework is monitoring of compliance with policies and procedures that comprise the system of quality control. The monitoring system comprises internal and external quality assurance reviews of the ANAO's audit and other assurance engagements. All assurance conclusions were found to be appropriate in the audits reviewed under the monitoring program.

In 2017–18 the ANAO invited the Australian Securities and Investments Commission (ASIC) to conduct an external independent review of the ANAO's Quality Assurance Framework and two audits of financial statements for the year ended 30 June 2017. In respect of the quality framework and within the scope of ASIC's review, no areas were identified where the design of the framework did not satisfy the requirements of the ANAO Auditing Standards. The ASIC report made two good practice recommendations that the ANAO is in the process of addressing. In respect of the file reviews, ASIC made findings in respect of the sufficiency and adequacy of audit documentation, including evidencing judgements made by the audit team. The ANAO has considered these findings and assured itself that there was no impact on the audit conclusion.

The ANAO is committed to demonstrating transparency of its operations. The results relating to average cost per audit, staff utilisation and learning and development hours all met or exceeded their targets.

In addition, the ANAO continues to be responsive to requests from Parliament, through briefing Members of Parliament (MPs), submissions to and/or appearances before parliamentary committees. Notably, the ANAO engagement with Parliament has expanded beyond the primary relationship with the JCPAA. In 2017–18 the ANAO received a number of requests for submission and/or appearance from committees other than the JCPAA.

Performance results

The ANAO measures its performance against its purpose using a range of performance criteria, which were outlined in the [ANAO's 2017–18 Corporate Plan](#) and 2017–18 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.

Program 1.1 – Assurance Audit Services

The primary purpose of financial statements is to provide relevant and reliable information to users about a reporting entity's financial performance and position. In the public sector, the users of financial statements include Ministers, Parliament and the community. The preparation of timely and accurate audited financial statements is also an important indicator of the effectiveness of an entity's financial management, which fosters confidence in an entity on the part of users.

The ANAO's financial statements audits, undertaken in accordance with the ANAO Auditing Standards, provide an independent examination of the financial accounting and reporting of public sector entities. They provide independent assurance that financial statements have been prepared in accordance with the Government's financial reporting framework and Australian accounting standards. The ANAO's assurance audits contribute to improvements in the financial administration of Australian Government entities.

The Auditor-General reports on audits of financial statements to the Parliament twice a year. The first of these reports, *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities*, reports on ANAO coverage of key financial systems and controls in major Commonwealth entities. The second report, *Audits of the Financial Statements of Australian Government Entities*, reports on the results of the financial statements audits of all Commonwealth entities. The independent reporting to the Parliament on this activity supports accountability and transparency in the Australian Government sector.

Key to the ANAO's audit process is an assessment of entities' internal control frameworks as they apply to financial reporting. An effective internal control framework provides the ANAO with a level of assurance that entities are able to prepare financial statements that are free from material misstatement. In 2017–18, a total of 99 findings were reported to the entities included in the interim audit report to Parliament, comprising no significant, 12 moderate and 87 minor findings. This is a decrease on the interim audit results of 2016–17 with a total of 114 findings reported comprising two significant, 22 moderate and 90 minor findings. Eighty-three per cent of moderate findings continue to be in the areas of:

- compliance and quality assurance frameworks supporting program payments, revenue collection and financial reporting; and
- management of IT controls, particularly the management of privileged users.

The Consolidated Financial Statements present the consolidated whole of government financial results inclusive of all Australian Government controlled entities, as well as the General Government Sector financial report. The 2016–17 Consolidated Financial Statements were signed by the Minister for Finance on 27 November 2017 and an unmodified auditor's report was issued on the same day.

A total of 222 findings were reported to entities as a result of the 2016–17 financial statements audits. These comprised two significant, 20 moderate and 200 minor findings. Most of the significant and moderate findings were in the areas of:

- management of IT controls, particularly the management of privileged users;
- compliance and quality assurance frameworks supporting program payments;

- revenue, receivables and cash management; and
- the management of non-financial assets.

Six legislative breaches were also reported to entities during 2016–17. Three of the legislative breaches were significant and 3 were non-significant. A significant breach is reported where: a significant potential or actual breach of the Constitution occurs; or non-compliance with an entity's enabling legislation, legislation the entity is responsible for administering, or the PGPA Act is identified. A non-significant legislative breach is reported where instances of non-compliance with other legislation, or sub-ordinate legislation, are identified.

Performance measures

Assurance audit services contribute to achieving the ANAO's purpose through:

- providing assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions for the Parliament, the executive and the public;
- presenting two reports annually addressing the outcomes of the financial statement audits of Australian Government entities and the consolidated financial statements of the Australian Government, to provide the Parliament with an independent examination of the financial accounting and reporting of public sector entities; and
- contributing to improvements in the financial administration of Australian Government entities.

To assess its performance against its purpose in relation to assurance audit activities, the ANAO measures:

- the percentage of the estimated 250 entities provided an auditor's report for tabling in Parliament;
- the number of assurance reports presented to the Parliament;
- the number of other assurance reports produced;
- the percentage of auditor's reports issued within three months of the financial year end reporting date;
- the percentage increase to the average cost per audit;
- the percentage of assurance audit staff available hours charged to audit work;
- the percentage of recommendations agreed by audited entities; and
- the percentage of moderate and significant findings that are addressed by material entities within one year of reporting.

Criterion 1	Percentage of the estimated 250 entities provided an auditor's report for tabling in the Parliament
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 99.6% against a target 100%

The number of financial statements auditor's reports issued is a key measure of the ANAO's core business in achieving its purpose. Financial statements auditor's reports 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 2017.¹

During the 2017–18 financial year, the ANAO completed 238 mandated² financial statements audits for the year ended 30 June 2017. This included the Consolidated Financial Statements (CFS) of the Australian Government. All entities that provided the ANAO with a set of financial statements for audit received an auditor's report for tabling in Parliament. At 30 June 2018, the Minjerribah Camping Partnership had not presented the ANAO with signed financial statements for the year ended 30 June 2017 therefore no auditor's report was issued for this entity during 2017–18.

In addition to the financial statements audits, the ANAO also completed two mandated non-financial statement audits in 2017–18. These are compliance audits required by the Australian Postal (Performance Standards) Regulations 1998 and s.313 (3) of the *Bankruptcy Act 1966*.

Details of issues identified during the financial statements audits are included in the Auditor-General Report [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2017](#).

Criterion 2 Number of assurance reports presented to the Parliament	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 3 against a target 3

The Auditor-General presents insights and findings from the outcomes of the financial statement audits of Australian government entities and the CFS of the Australian Government through independent reports to the Parliament. The reports support accountability and transparency in the Australian Government sector and provide Parliament an independent examination of the financial accounting and reporting of public sector entities.

- [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2017](#) was tabled in December 2017. This report complemented the interim phase report published in June 2017, and provided a summary of the final results of the audits of the Consolidated Financial Statements for the Australian Government and the financial statements of Australian Government entities.
- [Interim Report on Key Financial Controls of Major Entities](#) was tabled in June 2018. This report focused on the results of the interim audit phase, including an assessment of entities' key internal controls, of the 2017–18 financial statements audits of 26 entities including all departments of state and a number of major Australian government entities.
- [2016–17 Major Projects Report](#) was tabled in January 2018. This report is the ANAO's priority assurance review of major defence equipment acquisition projects which reported on 27 Major Projects. The Auditor-General provided a qualified Independent Assurance Report relating to progress and performance as reported in one Project Data Summary Sheet (PDSS) for the ARH Tiger Helicopters. This was the tenth annual Major Projects report to the Parliament. It built on previous reports, further enabling longitudinal analysis, and identified that: all projects continued to operate

¹ The actual number varies from year to year due to the establishment or abolition of entities by the Government and the Parliament. For the 2016–17 financial statements, there were 239 entities that required an audit opinion. As noted at Table 1, the ANAO provided 238 of 239 (99.6 per cent) of these opinions—with one entity, the Minjerribah Camping Partnership, not having signed financial statements.

² Mandated audits are those required under the *Public Governance, Performance and Accountability Act 2013* or other legislation.

within their total approved budget; delivering Major Projects on schedule remained an ongoing challenge; and the presentation of Defence capability information had an element of uncertainty.

Criterion 3 Number of other assurance reports produced	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 45 against a target 45

In addition to the conduct of mandated financial statements audits, the ANAO undertakes other assurance activities by arrangement with audited entities to support accountability and transparency in the Australian Government sector. Measuring section 20 audits (i.e. audits by arrangement) contributes to the delivery of program 1.1 by independently identifying improvements in the financial administration of Australian Government entities. In 2017–18, the ANAO completed 45 other assurance activities.

These activities generally consist of audits or reviews conducted under section 20 of the *Auditor-General Act 1997*. These activities include financial statements audits and audits or review of compliance with legislative requirements. Once inquiries by the ANAO have been concluded, the outcomes and any findings from these individual assurance activities are communicated through the issue of a formal report or by other correspondence. The ANAO charges a fee for these audits and reviews.

Criterion 4 Percentage of auditor's reports issued within three months of the financial year end reporting date	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 87% against a target 85%

In order to support timely reporting of entities' financial performance to the Parliament through annual reports, the ANAO aims to issue 85 per cent of auditor's reports within 3 months of the financial year end reporting date.

Providing timely auditor's reports also supports entities in meeting requirements to provide audit cleared financial information to the Department of Finance in accordance with deadlines that are set to assist the Australian Government to prepare the Final Budget Outcome by 30 September and the CFS by 30 November each year. The CFS present whole-of-government financial results, inclusive of all Australian Government-controlled entities.

Achievement of this measure relies on entities providing the ANAO with auditable Financial Statements within the timeframe. The ANAO works closely with entities to facilitate the timely finalisation of the financial statements with the objective of issuing auditor's reports within two business days of the financial statements being signed.

The result of 87 per cent of entities issued a signed auditor's report within three months of the financial year end is an increase from 80 per cent in the prior year.

Criterion 5 Percentage increase to average cost per audit	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of -2% against a target 0%

The ANAO is committed to delivering cost-effective audits through increased efficiency and effectiveness. One way of demonstrating this is to measure the cost of delivering audits over time. This new measure is designed to track the ANAO's organisational performance against the delivery of audit outcomes.

In 2017–18 the ANAO is reporting on audits of financial statements from the 2016–17 audit cycle, as the financial year ends on 30 June and the audit occurs post the end of the financial year. Therefore, the average cost per audit for AASG is calculated by comparing the average cost of the 2016–17 audit cycle, which is completed in September 2017, to the average cost of the 2015–16 audit cycle, which is completed in September 2016. The 2016–17 average cost was \$153,726 and the 2015–16 average cost was \$156,587 representing a 2 per cent decrease.

Criterion 6 Percentage of assurance audit staff available hours charged to audit work ³	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 90% against a target 85%

The ANAO is committed to demonstrating transparency of its operations. Monitoring the percentage of audit staff available hours charged to audit work gives an indication of staff utilisation which is an indicator of the efficient and effective allocation of resources in delivering financial statements audits.

The target rate of 85 per cent of available hours being charged to audit work reflects the need for staff to undertake professional development and contribute to corporate tasks. The result of 90 per cent utilisation is within the ANAO's tolerance for this measure.

This was a new measure in the 2017–18 Corporate Plan.

³Available hours are defined as total paid hours for the group less paid leave hours – covering all forms of paid leave; e.g. annual/recreation leave, sick leave, personal leave, maternity/paternity leave, long service leave, public holidays. Audit work is all work charged to financial statements audits by the group and relates to either planning, execution or reporting.

Criterion 7	Percentage of recommendations included in audit reports agreed by audited entities
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 100% against a target 90%

The ANAO adds value by providing entities with audit findings and recommendations to improve internal controls and business processes, based on observations noted during the conduct of financial statements audits. These matters are reported to the accountable authority and copied to the chair of the audit committee and the chief financial officer via an interim management letter, a closing report or a final management letter. All factual observations concerning the audit findings are agreed with entities before finalising these reports. Included in the measure of agreed recommendations are situations where the audited entity agrees with the ANAO's factual observations, but the entity may suggest an alternative method to resolve the issue.

The audit findings and recommendations are reported using a rating scale whereby significant and moderate risk issues are reported individually to the audited entities, the Minister and the Parliament. Lower risk issues are also reported individually to each entity, and in aggregate in the ANAO's reports to Parliament.⁴

All audit findings and recommendations are followed up as part of the audit of the following year's financial statements.

Criterion 8	Percentage of moderate and significant findings that are addressed by material entities within one year of reporting
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of 68% against a target 90%

The ANAO measures the percentage of moderate and significant findings that are implemented by entities in order to measure the impact that the ANAO's audit work has on public administration. This criteria relates to the percentage of moderate or significant findings⁵ for material entity audits, addressed within 12 months of being reported to the entity. 'Addressed' means that the entity has responded to and actioned the ANAO finding.

In order to calculate this measure a full 12 month period is required following the end of an audit cycle to allow entities time to respond to findings and provide the ANAO the opportunity to evaluate the timeliness and appropriateness of their response and confirm the finding as resolved or unresolved. As a result this performance measure considers the unresolved significant and moderate findings reported at the conclusion of the 2015–16 audit cycle. At the conclusion of the 2015–16 audit cycle 22 significant and moderate findings were reported. At the conclusion of the 2016–17 audit cycle 68 per cent (15) of these findings were reported as resolved within 12 months of being reported to Parliament.

⁴ Significant (Category A) issues are those that pose a significant business or financial management risk to the entity. These include issues that could result in a material misstatement of the entity's financial statements. Moderate (Category B) issues are those that pose a moderate business or financial management risk to the entity. These may include prior-year issues that have not been satisfactorily addressed.

⁵ Refer to footnote 4.

When the timeframe is extended to 18 months the percentage of findings addressed by material entities increases to 95 per cent.

Program 1.2 – Performance Audit Services

The ANAO reports to the Parliament on aspects of public administration, and makes specific recommendations to assist Parliament in holding government entities to account for meeting expectations of, and making improvements to, proper use of resources as required by the PGPA Act. Performance audits may report on one entity, or involve multiple entities on a common aspect of administration or policy implementation or where there is joint administration of a program or service.

The ANAO's performance audit services include audit activities which involve performance audits of all or part of an entity's operations and result in independent performance audit reports to the Parliament. Other reports are also prepared, including the Defence Major Projects Report, limited assurance reviews and information reports. These reports, along with performance audits contribute to accountability and transparency of public sector administration.

In 2017–18, the primary focus of ANAO performance audits was effectiveness – the extent to which entities delivered on intended objectives. The year also saw continued emphasis on economy and efficiency with which entities manage and use public resources, reflecting the Auditor-General's mandate. During the year the ANAO continued to develop methodology and associated guidance for examining efficiency in performance audits and continued to broaden its coverage to also focus on corporate entities and government business enterprises (GBEs)—noting that the Auditor-General undertakes audits of GBEs only at the request of the JCPAA. In 2017–18, the ANAO tabled performance audits of four GBEs.

In 2017–18, 13 audits were cross entity audits (audits of the same topic across multiple entities) and included topics such as corporate planning, performance reporting, contract management, government policy implementation, risk management and financial management.

In response to ongoing parliamentary interest in entities' implementation of ANAO audit recommendations, in 2017–18 the Auditor-General tabled 11 performance audits that either followed up on an entity's progress in implementing recommendations, or followed on from other related audits. The 2018–19 annual audit work program continues a series of audits that will examine entity progress in implementing recommendations arising from a previous performance audit, or from a related Parliamentary enquiry.

Performance measures

Performance audit services contribute to achieving the ANAO's purpose through:

- audits of the performance of Australian Government programs and entities, including identifying recommendations for improvement and key learnings for all government entities; and
- other assurance reviews and information reports to Parliament.

To assess performance against purpose in relation to performance audit activities, the ANAO measures the number of: performance audits presented to Parliament; the time and cost of these audits (our efficiency); percentage of recommendations agreed to and the status of their implementation by entities (our impact and effectiveness).

Criterion 9 Number of performance audit reports presented	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 47 against a target 48

In 2017–18, the Auditor-General presented 47 performance audits for the information of the Parliament. The publication of the 48th report (*Army's Protected Mobility Vehicle – Light*) was expected to occur in December 2017. It has however been delayed as a result of an application made by Thales Australia on 5 January 2018 to the Attorney-General to consider issuing a certificate under subsection 37(1)(b) of the *Auditor-General Act 1997* prohibiting the inclusion of particular information in a public audit report. A certificate from the Attorney-General was received on 29 June 2018 requiring consideration of the impact of the certificate on the proposed public report. Thales Australia also sought orders from the Federal Court of Australia to restrain the publication of particular information in the proposed audit report. The Federal Court action was dismissed by consent shortly after the issuance of the Attorney-General's certificate.

In addition to the performance audits presented to Parliament, the Auditor-General also presented the limited assurance reviews of *Murray-Darling Basin National Partnership Agreement* and *Achieving value for money from the Fair Entitlements Guarantee Recovery Program* as well as the *Australian Government Procurement Contract Reporting* information report.

Table 3.2: Number of performance audit reports, 2015–16 to 2017–18

Year	Number of performance audits	
	Target	Result
2017–18	48	47
2016–17 ^a	48	58
2015–16 ^a	49	35

Note a: 2015–16 and 2016–17 - the number of performance audits presented to the Parliament was affected by the double dissolution of the Parliament of Australia on 9 May 2016.

Criterion 10 Average elapsed time (months) for performance audits	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 9.6 months against a target 10.5 months

There are two issues that impact the length of an ANAO Performance Audit. The first issue which impacts on average audit length is finding and leveraging efficiencies in the audit production process. In 2017–18 efficiencies included: reducing the time taken to print and prepare reports for tabling; more effective use of resourcing; and improved processes for audit clearance. These have all contributed to reduction in time without compromising audit quality.

The second issue relates to the selection of performance audits. Some audits will be more complex and/or cover multiple agencies and therefore take longer, whereas other audits will be an in-depth review on a targeted issue, so can be completed in a shorter timeframe. In selecting audit topics the ANAO ensures an appropriate balance between the level of complexity and depth of the audit program as a whole. While no analysis has been undertaken to assess the impact of this issue there was no strategy to change the audit mix in this regard for 2017–18.

Table 3.3: Duration of performance audit reports, 2015–16 to 2017–18

Year	Time taken to complete report (months)		
	Target	Average	Range
2017–18	10.5	9.6	6.2–15.9
2016–17	N/A	10.6	5.2–22
2015–16	N/A	11.6	6.9–18.6

Criterion 11 Percentage increase to average cost per performance audit	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of -9.8% against a target 0%

The ANAO is committed to delivering cost-effective audits through increased efficiency and effectiveness. One way of demonstrating this is to measure the cost of delivering audits over time. This new measure is designed to track the ANAO's organisational performance against the delivery of audit outcomes.

The average cost per audit for PASG is calculated by comparing the average cost of the 2016–17 audit cycle to the average cost of the 2017–18 audit cycle.

This result is consistent with the reduction in the average length of the audit as outlined in Criterion 10.

Table 3.4: Cost of performance audit reports, 2015–16 to 2017–18

Year	Percentage increase	Cost per performance audit (\$'000) ^a	
	Target	Average	Range
2017–18	0%	422	159–786
2016–17	N/A	468	102–1,500
2015–16	N/A	526	230–767

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

Criterion 12 Percentage of performance audit staff available hours ⁶ charged to audit work	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 89% against a target 80%

The ANAO is committed to demonstrating transparency of its operations. Monitoring the percentage of audit staff available hours charged to audit work gives an indication of staff utilisation which is an indicator of the efficient and effective allocation of resources in delivering performance audits.

The ANAO continues to streamline its processes to ensure that to the extent possible, staff are working on audit related activities. In particular, in 2017–18, a new resourcing approach was rolled out to minimise the transition time for staff between audits. While this delivered some improvements, the resourcing approach will be further refined through 2018–19 to further optimise the percentage of hours allocated to audit work. The 80 per cent target reflects the need for staff to undertake professional development and contribute to corporate tasks.

Criterion 13 Percentage of recommendations included in audit reports agreed by audited entities	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 85% against a target 90%

The ANAO makes recommendations in performance audits reports to support Parliament to hold entities to account for their administration and service delivery. Throughout a performance audit, the ANAO keeps entities informed of findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations. Over time, this approach has resulted in a consistently high percentage of entities agreeing to ANAO recommendations, although 2017–18 saw an increase in the number of recommendations that were agreed with qualifications which has affected the average. Table 4 provides details of recommendations agreed against those made. Only recommendations that were agreed without qualification are included as 'agreed' recommendations – 12 recommendations were agreed with qualification.

There were four recommendations made where entities did not either agree or disagree. Specifically, the recommendations were in two reports *Management of the Contract for Telephone Universal Service Obligations* and *Australia Post's Efficiency of Delivering Reserved Letter Services*. In both reports, the

⁶ Consistent with the ACAG Macro Benchmarking Definition: total paid hours less paid leave hours – covering all forms of paid leave; e.g. annual/ recreation leave, sick leave, personal leave, maternity/paternity leave, long service leave, public holidays. By Group up to SES Band 2 (does not include the AG and DAG).

Department of Communications and the Arts elected not to state whether or not it agreed with the recommendations directed towards it. In the latter report, the Department of Finance also elected not to state whether or not it agreed with the recommendations directed towards it. This approach to dealing with recommendations does not assist the Parliament in holding entities to account.

Table 3.5: Agreement to recommendations in performance audit reports, 2015–16 to 2017–18

Year	Recommendations (number)	Recommendations fully agreed (%)	Recommendations agreed with qualifications (%)	Recommendations not agreed (%)
2017–18	126 ^a	85	9.5	2
2016–17	99	92	4	3
2015–16	103	94	6	0

Note a: There were also 4 recommendations for which no response was provided.

Criterion 14	Percentage of ANAO recommendations implemented within 24 months of a performance audit report
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 89% against a target 70%

The ANAO monitors entities' implementation of performance audit recommendations by attending entity audit committees, and conducting audits which follow up on entity progress in implementing previously made audit and related Parliamentary enquiry recommendations. For the first time this year, the ANAO also sought advice from all relevant entities on progress in implementing recommendations made in audits tabled in 2015–16. The self-reported evidence suggests that entities are implementing ANAO recommendations largely within 24 months of the recommendation being agreed. For those recommendations that have not yet been implemented, entities have advised that work is underway.

ANAO-wide

There are a number of measures that are shared across the ANAO and they generally relate to relationships, corporate and professional services. This area of activity contributes to achieving the ANAO's purpose through:

- facilitating dissemination of the ANAO's findings to members of Parliament, the executive and the public;
- providing organisation-wide support services for the ANAO, based on specialised knowledge, professional practice and technology; and
- ensuring ANAO audits are of high quality and compliant with auditing standards.

The ANAO supports the work of the Parliament by providing independent assurance and opinions, including information, assistance and briefings to parliamentarians and to parliamentary committees, particularly the JCPAA.

Performance measures

To assess performance against its purpose in relation to ANAO-wide activities, the ANAO measures:

- performance in delivering audit services through the ANAO's key relationship with the Parliament;

- whether the Quality Assurance Program indicates that audit conclusions are appropriately supported and the ANAO quality assurance framework is operating effectively;
- the number of learning and development hours undertaken by ANAO staff; and
- increase in social media followers.

Criterion 15 Number of appearances and submissions to Parliamentary Committees	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Shared by Program 1.1 and 1.2, p.91
Result	Achieved a result of 36 against a target 20

The ANAO supports the work of Parliamentary Committees by providing private briefings on request, and making appearances and submissions to Committee inquiries. In 2017–18, the ANAO made 36 appearances and submissions to parliamentary committees as detailed in Table 3.6.

The result exceeded the target and is comparable to the 2016–17 result of 39. The relationship with the JCPAA remains the ANAO's key parliamentary engagement. However, in order to support the work of the Parliament more broadly the ANAO has focused on proactively seeking broader opportunities to engage with the Parliament and improve the utilisation of audit reports in parliamentary proceedings. More than half (sixty seven per cent) of ANAO appearances and submission in 2017–18 were to Parliamentary Committees other than the JCPAA, the ANAO's oversight committee. Engagement activities included:

- the inclusion of a key learnings section in performance audit reports which is included in an Executive Summary for parliamentary briefings;
- development of Audit insights products that provide information on audit issues and examples of good practice, as identified through financial statement and performance audit work, by way of shared learnings for all Commonwealth entities;
- providing a summary before each estimates hearings to Estimates Committees which includes information about all audit reports that have tabled since the last estimates hearings; and
- reviewing all Senate, House and Joint Committee inquiries and making submissions and being available to appear at hearings where there is relevant audit coverage to the committee inquiry terms of reference.

Table 3.6: ANAO appearances and submissions to Parliamentary Committees

Date	Committee	Topic	Type
5 July 2017	Senate Select Committee on a National Integrity Commission	Adequacy of the Australian government's framework for addressing corruption and misconduct	Appearance at public hearing
13 July 2017	Senate Economics Reference Committee	Inquiry into the Operations of existing and proposed toll roads in Australia	Submission
28 July 2017	Senate Community Affairs Reference Committee	Inquiry into the Effectiveness of the Aged Care Quality Assessment and accreditation framework for protecting residents from abuse and poor practices, and ensuring proper clinical and medical care standards are maintained and practised	Submission
28 July 2017	Joint Standing Committee on the National Capital and External Territories	Inquiry into Australia's Antarctic Territory	Submission

Date	Committee	Topic	Type
1 August 2017	Joint Committee on the Australian Commission for Law Enforcement Integrity	Inquiry into the Integrity of Australia's border arrangements	Appearance at public hearing
3 August 2017	Senate Economics Reference Committee	Inquiry into the Operations of existing and proposed toll roads in Australia	Appearance at public hearing
7 August 2017	Joint Standing Committee on the National Disability Insurance Scheme	Inquiry into the Transition arrangements for the NDIS	Submission
16 August 2017	Joint Committee of Public Accounts and Audit	Inquiry into Defence sustainment expenditure	Appearance at public hearing
6 September 2017	Joint Committee of Public Accounts and Audit	Commonwealth Performance Framework - Inquiry based on Auditor-General Report No.31 (2015–16), No.6 (2016–17) and No.58 (2016–17)	Appearance at public hearing
29 September 2017	Senate Standing Committees on Finance and Public Administration	Inquiry into Digital Delivery of Government Services	Submission
29 September 2017	Senate Standing Committees on Community Affairs References	Inquiry into Availability and accessibility of diagnostic imaging equipment around Australia	Submission
17 November 2017	Joint Committee on Intelligence and Security	Review of Administration and Expenditure No. 16 (2016-2017)	Submission
29 November 2017	Joint Committee of Public Accounts and Audit	ANAO audit batch selection	Appearance for private briefing
6 December 2017	Senate Rural and Regional Affairs and Transport Legislation Committee	Australian Wool Innovation	Appearance at public hearing
7 February 2018	Joint Committee of Public Accounts and Audit	Inquiry based on Auditor-General Report No. 5 (2017–18)	Appearance at public hearing
8 February 2018	Joint Committee of Public Accounts and Audit	Australian Government Contract Reporting - Inquiry based on Auditor-General Report No.19 (2017–18)	Submission
14 February 2018	Joint Committee of Public Accounts and Audit	Commonwealth Procurement - Inquiry based on Auditor-General Report No.61 (2016–17), No.9 (2017–18) and No.12 (2017–18) <i>(Procurement of the National Cancer Screening Register and Management of the Contract for Telephone Universal Service Obligations)</i>	Appearance at public hearing
14 February 2018	Joint Committee of Public Accounts and Audit	ANAO draft budget estimates and the Independent Auditor's report Review of Cyber Security	Appearance for private briefing

Date	Committee	Topic	Type
14 February 2018	Joint Standing Committee on Electoral Matters	Auditor-General Report No.25 (2017–18) <i>Australian Electoral Commission's Procurement of Services for the Conduct of the 2016 Federal Election</i>	Appearance for private briefing
16 February 2018	Joint Committee of Public Accounts and Audit	Commonwealth Procurement - Inquiry based on Auditor-General Report No.61 (2016–17), No.9 (2017–18) and No.12 (2017–18) (<i>Management of the Pre-construction Phase of the Inland Rail Programme</i>)	Appearance at public hearing
16 February 2018	Joint Committee of Public Accounts and Audit	Inquiry into Australian Government Contract Reporting - Inquiry based on Auditor-General Report No.19 (2017–18)	Appearance at public hearing
27 February 2018	Senate Finance and Public Administration Committee	Additional Estimates 2017–18	Appearance at public hearing
28 February 2018	Standing Committee on the Environment and Energy	Auditor-General Report No.17 (2017–18) <i>New South Wales' Protection and use of Environmental Water in the Murray-Darling Basin</i>	Appearance for private briefing
28 February 2018	Standing Committee on Tax and Revenue	Auditor-General Report No.29 (2017–18) <i>Unscheduled Taxation System Outages</i> and Auditor-General Report No.15 (2017–18) <i>Costs and Benefits of the Reinventing the ATO Program</i>	Appearance for private briefing
1 March 2018	Standing Committee on Agriculture and Water	Inquiry into Auditor-General Report No. 56 (2016–17)	Appearance at public hearing
23 March 2018	Joint Committee of Public Accounts and Audit	Inquiry into Defence Major Projects	Appearance at public hearing
28 March 2018	Joint Committee of Public Accounts and Audit	Commonwealth Procurement – Inquiry into Auditor-General Report No.16 (2016–17), No.9 (2017–18) and No.12 (2017–18)	Appearance at public hearing
29 March 2018	Joint Standing Committee on the National Broadband Network	Inquiry into the business case for the National Broadband Network	Submission
29 March 2018	Joint Standing Committee on the National Broadband Network	Inquiry into the rollout of the NBN in rural and regional areas	Submission
27 April 2018	Joint Standing Committee on Migration	Inquiry into the review processes of visa cancellations due to criminal activity	Submission
21 May 2018	Senate Finance and Public Administration Committee	2018–19 Budget Estimates	Appearance at public hearing
5 June 2018	Joint Committee on Law Enforcement	Inquiry into the trade in elephant ivory and rhino horn	Submission
7 June 2018	Senate Economics Reference Committee	Inquiry into the Future of Australia's naval shipbuilding industry	Appearance at public hearing

Date	Committee	Topic	Type
20 June 2018	Joint Committee of Public Accounts and Audit	ANAO audit batch selection	Appearance for private briefing
25 June 2018	Standing Committee on Education and Employment	Inquiry into the role of Commonwealth, state and territory Governments in addressing the high rates of mental health conditions experienced by first responders, emergency service workers and volunteers	Submission
27 June 2018	Senate Environment and Communications References Committee	Inquiry into the Great Barrier Reef 2050 Partnership Program	Appearance for private briefing

Criterion 16 Percentage of requests from Parliamentarians for private briefings or educational sessions that are undertaken	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Shared by Program 1.1 and 1.2, p.91
Result	Achieved a result of 100% against a target 100%

In 2017–18 the ANAO provided 21 private briefings to individual Parliamentarians on request. Of these briefings, 19 related to specific audit reports and two briefings were to provide a general outline on the role of the Auditor-General and functions of the ANAO. Most briefing requests are prompted by the receipt of an audit tabling notice from the ANAO to relevant Ministers, Shadow Ministers, party leaders and independent Senators.

All [briefings](#) provided by the ANAO to parliamentarians or a parliamentary committee are published on the ANAO website.

Criterion 17	Percentage of inquiries and audit requests from parliamentarians finalised ⁷ within 28 days
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Shared by Program 1.1 and 1.2, p.91
Result	Achieved a result of 87.5% against a target 90%

In determining the ANAO's audit work program, the Auditor-General must consider the priorities of the Parliament, as determined by the JCPAA. Formal consultation with the JCPAA about the audit priorities of the Parliament occurs in approximately April to May each year to inform the development of ANAO's Annual Audit Work Program. Throughout the year the Auditor-General also receives direct requests from Members and Senators of the Parliament of Australia, for audits of particular areas of public administration as new issues emerge. Where the Auditor-General determines that further examination is warranted as a result of an audit request, a response can be provided through a range of mechanisms, including by initiating a performance audit, an assurance review, or an information report, or through correspondence.

In 2017–18 the Auditor-General received eight requests for audit from members of the Parliament. A response to seven of the eight requests was provided in 28 days. The one request not finalised within 28 days was due to the ANAO conducting a range of inquiries to enable a response. Table 3.7 outlines the ANAO's actions regarding these requests.

Table 3.7: Parliamentary request for audit

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
25 July 2017	28 July 2017	Hon Tony Burke MP	Allegations concerning the Murray-Darling Basin	Assurance review report tabled, 28 November 2017
6 September 2017	19 September 2018	Mr Stephen Jones MP	Community Development Grants Programme – Central Coast Group Training Ltd	Performance audit commenced, due to table August 2018
27 October 2017	23 November 2017	Senators Abetz, Paterson and Reynolds	Administration and governance arrangements relating to the Student Services and Amenities Fee	Not included in 2018–19 Audit Program
26 March 2018	20 April 2018	Mr Stephen Jones MP	Regional Jobs and Investments Package	Included in 2018–19 Audit Program
6 April 2018	20 April 2018	Hon Dr Mike Kelly MP	Regional Jobs and Investments Package	

⁷ ANAO Response to audit request or inquiry that has been prepared and sent to a parliamentarian. In cases where an audit or limited assurance review is commenced, the notification by letter that we have taken this step will be sufficient to consider the request "finalised". Equally, where a response is provided that the topic will be considered in the development of the next annual audit work program, this will be considered a "finalised" response. Follow-ups to the initial audit request would not be counted as an additional inquiry. This measure does not refer to a holding letter that is sent to parliamentarians to indicate that we have received the request.

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
24 April 2018	10 May 2018	Senators Patrick, Griff, Hanson-Young and Bernardi, Ms Rebekha Sharkie MP and the Hon Tony Burke MP	Allegations concerning the purchases of water for environmental flows in the Murray-Darling Basin	Included in 2018–19 Audit Program
24 April 2018	18 May 2018	Senator Whish-Wilson	Declaration of interests and conflicts of interest within the Australian Securities and Investments Commission	Under consideration (after the Royal Banking Commission report is released)
31 May 2018	In progress ⁸	Hon Catherine King MP	The listing of afatinib on the Pharmaceutical Benefit Scheme	Under consideration

Criterion 18	Percentage of JCPAA members surveyed ⁹ who were satisfied that the ANAO improved public sector performance and supported accountability and transparency
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Shared by Program 1.1 and 1.2, p.91
Result	Achieved a result of 100% against a target 90%

The ANAO engaged an independent research firm, ORIMA Research Pty Ltd, to conduct a survey of JCPAA members and other parliamentarians in 2018. The result of 100 per cent against a target of 90 per cent was based on the percentage of JCPAA members who responded to the survey that agreed or strongly agreed to the following statements:

- The ANAO's reports and services have contributed to improved public sector accountability and transparency; and
- The ANAO's reports and services help improve public sector administration.

The response rate of JCPAA members to the 2018 survey (27 per cent), representing 4 of the 15 members surveyed, was significantly lower than in the 2015 survey (67 per cent). Comparative analysis of the 2015 and 2018 surveys in respect to the satisfaction ratings that the ANAO improved public sector performance and supported accountability and transparency, indicate that the JCPAA results were similar in terms of the level of agreement. In addition, JCPAA members were positive in their ratings of the ANAO's engagement with the JCPAA, particularly in relation to the ANAO's engagement on issues of relevance, representation of the ANAO at JCPAA public hearings, provision of private briefings, and general communication and consultation by the ANAO. Recognising the surveys limited response rate, the ANAO will consider alternative methods to measure this performance indicator in the future.

The ANAO supports accountability and transparency in the Australian Government sector through independent reporting to the Parliament. To provide some insights into the Parliament's utilisation of

⁸ The response was published on the ANAO website on 20 July 2018.

⁹ The result reported is based on the result achieved from those members who responded to the survey.

ANAO reports, preliminary analysis of mentions of ANAO reports by Parliamentarians or Parliamentary Committees was conducted for internal reporting purposes. The results of the analysis reveals that in 2017–18 there were over 230 individual mentions of ANAO reports, with a significant increase of mentions by Parliamentary Committees during the Senate Estimate hearings held in October 2017, and in February and May 2018. The high number of mentions reflects the continued and respected contribution of the ANAO in informing Parliament on a wide range of matters relating to the performance of the public sector. It is expected that over time, this analysis may reveal trends in parliamentary interest and utilisation of ANAO's reports, which will inform continued improvement to the audit services and support provided to the Parliament.

Criterion 19 The ANAO independent QA Program indicates that: audit conclusions are appropriate; and, the ANAO quality assurance framework is operating effectively	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1 and 1.2, p.87 and p.89
Result	Achieved a result of Yes

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. This is reflected in the target set in the performance indicator.

The ANAO Quality Assurance Framework, is 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.

A key element of the ANAO Quality Assurance Framework is monitoring of compliance with policies and procedures that comprise the system of quality control. The monitoring system comprises internal and external quality assurance reviews of the ANAO's audit and other assurance engagements. The system is designed to provide the Auditor-General with assurance that engagements comply with the ANAO Auditing Standards, relevant regulatory and legal requirements and ANAO policies, and that reports issued are appropriate in the circumstances. Monitoring activities is the responsibility of the Professional Services and Relationships Group reporting to EBOM and the ANAO Audit Committee. The ANAO Quality Committee is responsible for monitoring the ANAO's progress in addressing the findings and recommendations arising from the monitoring programs.

Monitoring processes include:

- annual quality assurance reviews of completed audits covering all of the functions of the ANAO;
- real time quality reviews of in-process financial statement audits;
- progress reviews at specified points by the audit executive and Auditor-General for in-process performance audits;
- bi-annual external peer reviews of completed performance audits performed by the Office of the Auditor General New Zealand; and
- external reviews of the quality framework and completed audits, as considered appropriate.

In 2017–18, the annual quality assurance program of completed audits reviewed 10 financial statement audits, four performance audits and one limited assurance review. In addition, three real time quality reviews of in-process financial statement audits were conducted.

As in previous years, the mix of audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted firms. 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 clearly evidencing changes made to the audit plan during the course of the audit and the reasoning for the changes. An improved practice implemented by the ANAO to address this area of improvement is the introduction of a formal meeting of all team members at a mid-point in the audit to consider the results of testing completed and any necessary changes to the planned audit approach. For performance audits, documentation could have been improved in areas relating to engagement with IT Audit specialists and assessment of documentation provided by management.

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

The ANAO also has a 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 meets as required to provide advice to the Auditor-General. The committee was consulted on 17 matters in 2017–18.

In 2017–18 the ANAO invited the Australian Securities and Investments Commission (ASIC) to conduct an external independent review of the ANAO's Quality Assurance Framework and two audits of financial statements for the year ended 30 June 2017. These reviews were conducted using ASIC's methodology for reviewing private sector audits. In respect of the file reviews, ASIC made findings in respect of the sufficiency and adequacy of audit documentation, including evidencing: review of contract terms and conditions for grants made; prior year judgements in respect of the appropriateness of accounting policies; the basis for selecting journals for testing; and the reasonableness of assumptions used by valuation experts.

In respect of the quality framework, ASIC conducted a high level review of the ANAO's policies covering the key requirements of auditing standard ASQC 1 and a detailed review of the ANAO's program of internal quality reviews of financial statement audits. Within the scope of ASIC's review, it identified no areas where the design of the framework did not satisfy the requirements of ASQC 1 and made two good practice recommendations:

- Consideration could be given to rating all public interest entities as high risk or appointing a second reviewer; and
- Consideration could be given to reviewing and challenging audit judgements in internal reviews of audits.

The ANAO is in the process of addressing these recommendations.

Based on the results of reporting to the EBOM and completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2017–18.

Criterion 20	Percentage of audit staff that undertook at least 20 hours of professional development
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Program 1.1 and 1.2, p.87 and p.89
Result	Achieved a result of 100% against a target 100%

The ANAO's auditing policies for performance and assurance audits include requirements for staff to undertake 20 hours of professional development per financial year. Ensuring technical competence in audit staff is a key element of supporting quality audit outcomes.

The ANAO is required to have policies and procedures designed to provide reasonable assurance that personnel have competence, capabilities and commitment to ethical principles necessary to:

- perform engagements in accordance with ANAO auditing standards, relevant ethical requirements and applicable legal and regulatory requirements; and
- enable Signing Officers to issue reports that are appropriate in the circumstances.

Competence is developed through a variety of methods such as continuing professional development, including training. Technical training can be in the form of formal presentations, such as technical updates, conferences, e-learning or time spent in preparation of presentations of technical training. Typically CPD hours for the preparation of technical training equals three hours per one hour of presented material, e.g. a two hour presentation equals six hours of eligible preparation CPD hours.

ANAO staff are encouraged to maintain professional development and membership of professional bodies and to meet the CPD requirements of any relevant professional bodies of which they have membership.

Where a staff member has not completed the minimum continuing professional development hours required, they are expected to increase their participation in the following year's learning and development activity. This will be agreed with their supervisor / administrative manager when developing their Individual Development Plan which forms part of the ANAO's performance management framework.

In 2017–18 100 per cent of audit staff undertook at least 20 hours of professional development against a target of 100 per cent. The result excludes the following:

- staff who were not employed on audit work for the full year;
- non audit staff, such as practice management;
- contractors, who are expected to bring and maintain the appropriate level of expertise;
- staff on long term leave; and
- staff who were part time.

Criterion 21 Percentage increase in followers on ANAO social media platforms	
Source	ANAO Corporate Plan 2017–18 2017–18 Portfolio Budget Statements, Shared by Program 1.1 and 1.2, p.91
Result	Achieved a result of 19.8% against a target 20%

The ANAO measures followers on Twitter in order to measure the level of interest in the ANAOs audit work. The figures reported above are an approximation as Twitter follower numbers were not available at 30 June 2017. The ANAO have been able to use Buffer software to report on Twitter statistics since December and the ANAO has used the mean between the number at 1 January 2017 and 31 December 2017 as the baseline against which the percentage increase is assessed.

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 that 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

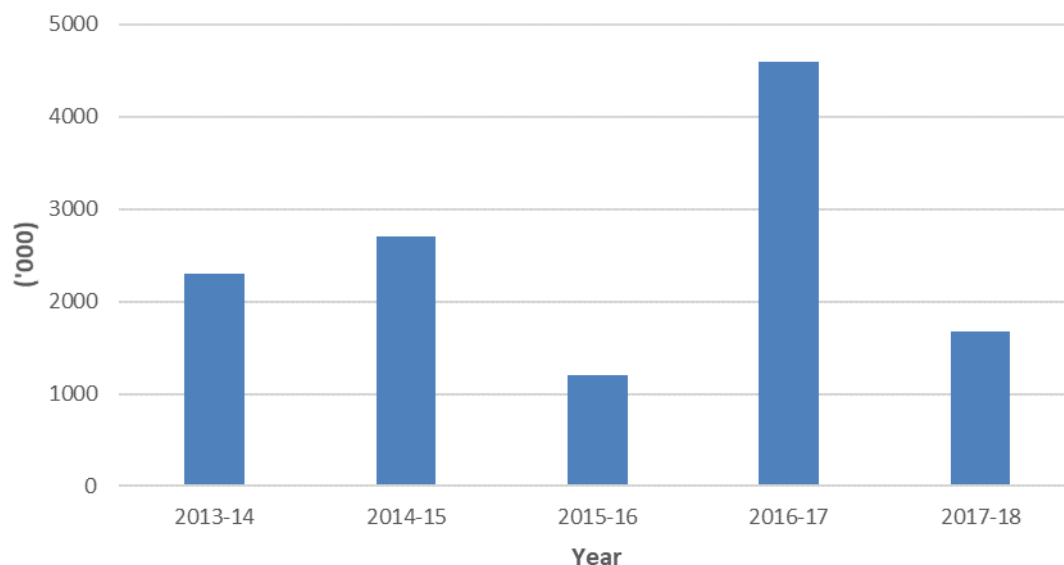
The work of the ANAO is mainly funded by Government appropriation, with a small percentage of revenue generated from audit fees paid by clients for audits by arrangement under section 20 of the *Auditor-General Act 1997*. Audit fees are set to cover our expenses.

Overview of financial performance and future financial viability

The ANAO remains in a sound financial position, operating within its appropriation and with sufficient cash reserves to fund its debts as and when they fall due.

In monitoring financial performance, the ANAO excludes the impact of depreciation and amortisation that affect the operating results. In 2017–18, after adjusting for the impact of depreciation and amortisation, the ANAO's operating surplus was \$1.68 million. The ANAO continues to refine its approach to ensure that it operates within budget.

Figure 3.1: Operating result (excluding depreciation and amortisation) 2012–13 to 2017–18



The ANAO budgets to remain financially sustainable into the forward estimates, and continues to implement operational efficiencies. The past 12 months have been focused on implementing its three-year Future Ready Change Program (Future Ready), enabling the organisation to maintain a professional practice and an agile workforce into the forward estimates.

In the first quarter of 2018–19, both the accommodation lease for the ANAO office building and the arrangement with the current IT provider (UNISYS) will expire. Work has commenced on reviewing the ANAO's accommodation requirements and determining the future IT environment that will be needed to support staff and the delivery of the Auditor-General's mandate. Discussions with the Department of Finance will be undertaken if additional funding is required to support either project.

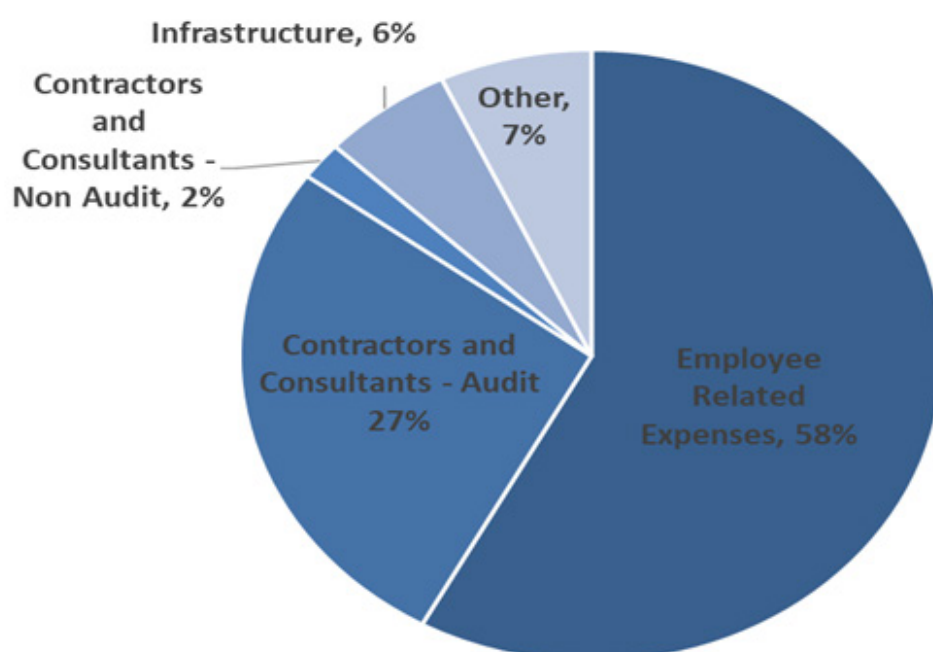
Expense impacts

The ANAO consistently spends most of its budget on employee related expenses, contractors and consultants. All staff are based in Canberra and predominantly undertake audits on key portfolio and material agencies. The ANAO also engages contractors, under the supervision of senior staff at the ANAO, within and at locations outside of Canberra to undertake audits of entities. ANAO staff travel to interstate locations to maintain appropriate oversight and quality assurance processes over these audits, including attendance at entity Audit Committees.

Where required, the ANAO also engages contractors and consultants such as valuers and actuaries to provide expertise required to complete the audit program. In 2017-18 Contractors and consultants for non-audit services are primarily comprised of the workplace strategy consultant and IT consultants for the ICT Source Contract.

The ANAO's total expenses for 2017–18 was \$73.58 million excluding depreciation.

Figure 3.2: Expenses by type 2017–18



Financial position

As at 30 June 2018, the ANAO had net equity of \$31.60 million, representing \$45.55 million of assets offset by \$13.94 million of liabilities.

Most of the ANAO's assets and liabilities are of a financial nature, with the largest balance being appropriation and other receivables (\$42.13 million). The majority of the ANAO's liabilities relate to employee provisions (\$10.75 million) and suppliers (\$2.44 million).

Table 3.8: Summary of financial performance 2016–17 and 2017–18

	2017–18 (\$'000)	2016–17 (\$'000)	Variance (\$'000)	Variance (%)
Statement of comprehensive income				
Total own source revenue	4,078	4,417	-339	-8%
Total revenue from government	71,190	72,852	-1,662	-2%
Total expenses	75,397	74,708	689	1%
Net surplus/(deficit)	-129 ^a	2,561	-2,690	-105%
Statement of financial position				
Total assets	45,550	45,541	9	0%
Total liabilities	13,947	14,787	-840	-6%
Net assets	31,603	30,754	849	3%
Equity	31,603	30,754	849	3%

Note a: The impact of excluding depreciation and amortisation resulted in the ANAO achieving a \$1.68 million surplus

Revenue impacts

Government revenue decreased in 2017–18 to \$71.19 million.

Own source revenue in 2017–18 was \$0.34 million less than the previous year's \$4.42 million. Audit services income and rendering of other services decreased slightly by a total of \$0.13 million and international development funding decreased by \$0.21 million.

Entity resource statement

The entity 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 2017–18 and sets out the ANAO's summary of total expenses for Outcome 1.

Financial Statements

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Independent auditor's report

To the President of the Senate and Speaker of the House of Representatives

My opinion

In my opinion:

The accompanying 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 2018 and of its financial performance for the year then ended
- (b) comply with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and Australian Accounting Standards - Reduced Disclosure Requirements including the Australian Accounting Interpretations.

What I have audited

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of comprehensive income for the period then ended
- the statement of changes in equity for the period then ended
- the cash flow statement for the period then ended
- the administered schedule of comprehensive income
- the administered schedule of Assets and Liabilities
- the administered reconciliation schedule
- the administered cash flow statement
- the notes to the financial statements, which include a summary of significant accounting policies
- the statement by the Auditor-General and Acting Chief Finance Officer.

Basis for opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

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

Independence

I am independent of the Australian National Audit Office in accordance with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to the audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

Responsibilities of the Auditor-General for the financial statements

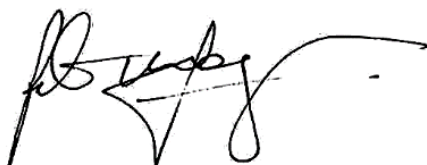
The Auditor-General is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability Act 2013* and for such internal control as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

In preparing the financial statements, the Auditor-General is responsible for assessing the ability of the Australian National Audit Office to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intends to liquidate the Australian National Audit Office or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of my auditor's report.



Peter van Dongen
Independent Auditor

Sydney
7 August 2018

Statement by the Auditor-General and Acting Chief Finance Officer

Australian National Audit Office

STATEMENT BY THE AUDITOR-GENERAL AND ACTING CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 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.

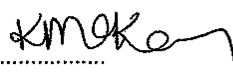
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian National Audit Office will be able to pay its debts as and when they fall due.



Signed.....

Grant Hehir
Auditor-General

7 August 2018



Signed.....

Karla McKay
Acting Chief Finance Officer

7 August 2018

Statement of Comprehensive Income

Australian National Audit Office
Statement of Comprehensive Income
for the period ended 30 June 2018

		2018	2017	2018
		\$'000	\$'000	Original Budget \$'000
NET COST OF SERVICES EXPENSES	Notes			
Employee benefits	2.1A	39,238	39,730	45,284
Suppliers	4.1A	34,350	32,972	29,781
Depreciation and amortisation	5.2A	1,809	1,992	1,891
Write-down and impairment of assets		-	14	-
Total expenses		75,397	74,708	76,956
OWN-SOURCE INCOME				
Audit services		2,143	2,250	2,000
International development funding		1,740	1,946	1,800
Rendering of other services		195	221	-
Total own-source income	4.2A	4,078	4,417	3,800
Net cost of services		71,319	70,291	73,156
REVENUE FROM GOVERNMENT				
Departmental annual appropriations		70,531	72,143	70,531
Departmental special appropriations		659	709	734
Total Revenue from Government	4.3A	71,190	72,852	71,265
Total Comprehensive Income (Loss)		(129)	2,561	(1,891)

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.

Statement of Financial Position

Australian National Audit Office Statement of Financial Position as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000	2018 Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	5.1A	549	444	681
Trade and other receivables	5.1B	42,131	40,725	38,075
Work in progress - audit related services	5.1C	96	79	102
Total financial assets		42,776	41,248	38,858
Non-financial assets				
Leasehold improvements	5.2A	290	1,053	113
Plant and equipment	5.2A	786	1,158	1,608
Intangibles	5.2A	888	1,037	1,553
Prepayments		810	1,045	1,062
Total non-financial assets		2,774	4,293	4,336
Total assets		45,550	45,541	43,194
LIABILITIES				
Payables				
Suppliers	5.3A	2,441	2,682	1,649
Operating lease incentives		45	243	44
Accrued salaries and other payables		705	949	2,368
Total payables		3,191	3,874	4,061
Provisions				
Employee provisions	2.1B	10,756	10,913	13,739
Total provisions		10,756	10,913	13,739
Total liabilities		13,947	14,787	17,800
Net assets		31,603	30,754	25,394
EQUITY				
Contributed equity		13,705	12,727	13,705
Reserves		564	564	564
Retained surplus		17,334	17,463	11,125
Total equity		31,603	30,754	25,394

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.

Statement of Changes in Equity

Australian National Audit Office
Statement of Changes in Equity
for the period ended 30 June 2018

	Note	Retained surplus		Asset revaluation surplus			Contributed equity/Capital			Total equity	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 Original Budget \$'000	2018 \$'000	2017 \$'000	2018 Original Budget \$'000	2018 \$'000	2017 \$'000
Opening balance		17,463	14,902	564	564	564	12,727	11,586	12,727	30,754	27,052
Comprehensive income											
Surplus/(Deficit) for the period		(129)	2,561	-	-	-	-	-	-	(129)	2,561
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Total comprehensive income		(129)	2,561	-	-	-	-	-	-	(129)	2,561
Transactions with owners											
Contributions by owners											
Equity Injection	3.1A	-	-	-	-	-	-	150	-	-	150
Departmental capital budget	3.1A	-	-	-	-	-	978	991	978	978	991
Total transactions with owners		-	-	-	-	-	978	1,141	978	978	1,141
Closing balance as at 30 June		17,334	17,463	564	564	564	13,705	12,727	13,705	31,603	30,574

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.

Cash Flow Statement

Australian National Audit Office
Cash Flow Statement
for the period ended 30 June 2018

	2018 \$'000	2017 \$'000	2018 Original Budget \$ ' 000
OPERATING ACTIVITIES			
Cash received			
Appropriations for operating activities	76,813	77,824	71,463
Rendering of services	3,896	4,725	3,800
GST received	2,157	3,325	-
Total cash received	82,866	85,569	75,263
Cash used			
Employees	39,638	41,979	45,284
Suppliers	36,607	37,013	29,979
Receipts transferred to OPA	6,694	6,937	-
GST used	275	305	-
Total cash used	83,214	85,929	75,263
Net cash used by operating activities	(348)	(360)	-
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements	77	-	-
Purchase of plant and equipment	69	333	978
Purchase of intangibles	379	685	-
Total cash used	525	1,018	978
Net cash used by investing activities	(525)	(1,018)	(978)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	978	1,141	978
Total cash received	978	1,141	978
Net cash from financing activities	978	1,141	978
Net increase (decrease) in cash held	105	(237)	-
Cash and cash equivalents at the beginning of the reporting period	444	681	681
Cash and cash equivalents at the end of the reporting period¹	549	444	681

¹ 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.

Administered Schedule of Comprehensive Income

Australian National Audit Office Administered Schedule of Comprehensive Income <i>for the period ended 30 June 2018</i>				
	Notes	2018 \$'000	2017 \$'000	2018 Original Budget \$'000
INCOME				
Non-taxation revenue				
Rendering of audit services		12,298	12,822	12,300
Total income administered on behalf of Government¹		12,298	12,822	12,300
The above schedule should be read in conjunction with the accompanying notes.				
Administered Schedule of Assets and Liabilities <i>as at 30 June 2018</i>				
	Notes	2018 \$'000	2017 \$'000	2018 Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents		477	591	371
Trade receivables – audit related services		4,729	5,416	4,783
Work in progress - audit related services	5.1C	2,205	729	1,240
Total financial assets		7,411	6,736	6,394
Total assets administered on behalf of Government		7,411	6,736	6,394
LIABILITIES				
Payables				
GST payable		429	492	435
Total payables		429	492	435
Total liabilities administered on behalf of Government		429	492	435
Net assets		6,982	6,244	5,959
The above schedule should be read in conjunction with the accompanying notes.				
¹ Please refer to Note 1 for explanations of major variances between budgeted and actual amounts.				

Administered Reconciliation Schedule

Australian National Audit Office Administered Reconciliation Schedule <i>as at 30 June 2018</i>		
	2018 \$'000	2017 \$'000
Opening assets less liabilities as at 1 July	6,244	5,959
Net contribution by services:		
Income	12,298	12,822
Transfers to the Australian Government:		
Transfers to the Official Public Account	(11,560)	(12,537)
Closing assets less liabilities as at 30 June	6,982	6,244
The above schedule should be read in conjunction with the accompanying notes.		
Administered Cash Flow Statement <i>for the period ended 30 June 2018</i>		
	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES		
Cash received		
Rendering of audit services	12,597	14,026
Total cash received	12,597	14,026
Cash used		
GST paid	1,151	1,269
Total cash used	1,150	1,269
Net cash flows from operating activities	11,446	12,757
Net increase in cash held	11,446	12,757
Cash and cash equivalents at the beginning of the reporting period	591	371
Cash to Official Public Account for:		
- Appropriations	11,560	12,537
Cash and cash equivalents at the end of the reporting period¹	477	591
¹ As shown in the Administered Schedule of Assets and Liabilities.		
This schedule should be read in conjunction with the accompanying notes.		

Overview

Australian National Audit Office**Overview****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 – Reduced Disclosure Requirements 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).

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.

Accounting policy - administered financial instruments

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.

New Australian Accounting Standards

All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the ANAO's financial statements.

Australian National Audit Office

Overview (continued)

Events After the Reporting Period

Departmental

The ANAO entered into an agreement on the 2nd of July 2018 for a period of three years with ASG Group Limited, for the provision of ICT services for support, including service desk, workplace services, infrastructure services and service management.

Administered

No events have occurred after reporting date that should be brought to account or noted in the 2017–18 financial statements.

Note 1: Budget Variances

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 2017-18 Portfolio Budget Statements (PBS) and the 2017-18 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 focused merely on numerical differences between the budget and actual amounts.

Explanations of major variances are as follows:

Explanation of major variances	Variance to Budget \$'000	Variance to Budget %	Affected line items
<i>Departmental Items</i>			
Employee benefits were lower than the original budget as a result of fewer permanent Assurance and Performance Audit staff being recruited than planned. The ANAO ensured it achieved its purpose and outcomes in 2017-18 by engaging contractors where necessary.	(6,046)	-13%	Statement of Comprehensive Income, Employee Benefits Expense
The 2017-18 budget for employee provisions assumed a movement in the bond rate consistent with prior years. The actual result was no movement in the bond rate and provisions did not materially increase.	(2,983)	-22%	Statement of Financial Position, Employee Provisions
Increased supplier expenses driven by original budget primarily due to the need to engage contractors to supplement the ANAO's higher than expected auditing staff vacancy levels.	4,569	15%	Statement of Comprehensive Income, Suppliers Expense
The trade and other receivables balance in 2017-18 was higher than the original budget primarily due to movements in the appropriation receivable and trade receivables between 2016-17 and 2017-18. The balance of the appropriation receivable for 2017-18 was higher than budgeted as a result of a \$4.5m operating surplus in 2016-17, which was offset by a lower trade receivables balance for 2017-18 than budgeted.	4,056	11%	Statement of Financial Position, Trade and Other receivables
Higher trade receivables due to timing of invoicing, and cash payments not being received at the close of the reporting period.	792	48%	Statement of Financial Position, Suppliers
Employee provisions were lower than the original budget as a result of a lower than anticipated salary accrual for 2017-18 which was in due part to the ANAO reporting a lower staffing level than anticipated.	(1,163)	-70%	Statement of Financial Position, Payables
Delays in investing in replacement assets - due to the decision to delay investments until accommodation and IT arrangements for 2018-19 and beyond are finalised.	(1,563)	-36%	Statement of Financial Position, Non-financial Assets

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

Note 1: Budget Variances (continued)

Explanation of major variances	Variance to Budget \$'000	Variance to Budget %	Affected line items
<i>Administered Items</i>			
<p>Audit fees are based on a scale determined by the Auditor-General under section 14 of the Auditor-General Act 1997.</p> <p>Work in progress was higher due to the timing of the work performed that was not billed at the end of 2017-18. The value of the work also was higher than budget due to scope variations.</p>	965	78%	<i>Schedule of Assets and Liabilities, Work in Progress - audit related services</i>

Note 2: People and Relationships

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

Note 2: 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 Benefits and Provisions

Note 2.1A: Employee Benefits

	2018 \$'000	2017 \$'000
Wages and salaries	30,551	31,054
Superannuation:		
Defined contribution plans	3,200	2,820
Defined benefit plans	2,291	2,268
Leave and other entitlements	2,845	2,985
Separations and redundancies	59	284
Other employee expenses	292	319
Total employee benefits	39,238	39,730

Note 2.1B: Employee Provisions

All employee provisions relate to long service leave and annual leave. There was no provision for separations and redundancy in either at 30 June 2018 or 30 June 2017.

Accounting Policy

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 enterprise agreements.

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's published financial statements.

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 2.2: Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the ANAO, directly or indirectly. The ANAO has determined the key management personnel to be the members of the Executive Board of Management.

The following tables are prepared on an accruals basis.

	2018	2017
	\$	\$
Short-term employee benefits:		
Salary	2,532,297	2,237,583
Performance bonuses	79,591	44,885
Total short-term employee benefits	2,611,888	2,282,468
Post-employment benefits:		
Superannuation	394,027	379,031
Total post-employment benefits	394,027	379,031
Other long-term benefits:		
Annual leave accrued	188,757	185,720
Long-service leave	60,497	56,817
Total other long-term benefits	249,254	242,537
Total key management personnel remuneration¹	3,255,169	2,904,037

Remuneration of Key Management Personnel	Actual 2018	Actual 2017
Below \$50,000	2	3
\$50,001-\$150,000	-	1
\$150,001 to \$175,000	1	1
\$200,001 to \$225,000	-	2
\$250,001 to \$275,000	1	-
\$275,001 to \$300,000	2	2
\$300,001 to \$325,000	3	1
\$450,001 to \$475,000	1	1
\$716,306 ¹	-	1
\$771,921 ¹	1	-
	11	12
The aggregate of the remuneration for key management personnel	\$ 3,255,169	\$ 2,904,037

¹ The above key management personnel remuneration includes the remuneration and other benefits of the Auditor-General. The Auditor-General's remuneration and other benefits are set by the Remuneration Tribunal.

Notes:

- The remuneration totals (on a pro rata basis) for key management personnel include those staff who ceased in those roles as well as their replacements. All appointments to the Executive Board of Management including any acting arrangements are captured in this note.
- Members of the Executive Board of Management, apart from the Auditor-General, are employed in accordance with the *Public Service Act 1999*.
- Additional analysis conducted on Key Management Personnel calculations in the 2017-18 identified an immaterial error in the calculation of the 2016-17 Key Management Personnel Short-term employee benefits. The above salary comparatives have been restated reduced by \$32,514 and subsequent totals have also been updated.

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

Note 2.2: Key Management Personnel Remuneration (continued)

Members of the Executive Board of Management were as follows:

2017–18	Position	Period in Position
Grant Hehir	Auditor-General	1 Jul 2017 – 30 Jun 2018
Rona Mellor	Deputy Auditor-General	1 Jul 2017 – 30 Jun 2018
Carla Jago	Group Executive Director, Assurance Audit	1 Jul 2017 – 30 Jun 2018
Jocelyn Ashford	Senior Executive Director, Systems Assurance and Data Analytics	1 Nov 2017 – 30 Jun 2018
Lisa Rauter	Group Executive Director, Performance Audit	31 Jul 2017 – 30 Jun 2018
Andrew Morris	Acting Group Executive Director, Performance Audit	1 Jul 2017 – 31 Jul 2017
Anastasios Ioannou	Group Executive Director, Performance Audit	1 Jul 2017 – 30 Jun 2018
Jane Meade	Group Executive Director, Professional Services and Relationships	1 Jul 2017 – 30 Jun 2018
Deborah Rollings	Senior Executive Director, Corporate Management Branch	1 Jul 2017 – 30 Jun 2018
Sue Knox	Chief Finance Officer	1 Jul 2017 – 11 Jun 2018
Karla McKay	Acting Chief Finance Officer	12 Jun 2018 – 30 Jun 2018

2016–17	Position	Period in Position
Grant Hehir	Auditor-General	1 Jul 2016 – 30 Jun 2017
Rona Mellor	Deputy Auditor-General	1 Jul 2016 – 30 Jun 2017
Ian Goodwin	Group Executive Director, Assurance Audit	1 Jul 2016 – 20 Jan 2017
Carla Jago	Group Executive Director, Assurance Audit	15 May 2017 – 30 Jun 2017
Jocelyn Ashford	Acting Group Executive Director, Assurance Audit	9 Jan 2017 – 12 May 2017
Anastasios Ioannou	Group Executive Director, Performance Audit	1 Jul 2016 – 30 Jun 2017
Michelle Kelly	Group Executive Director, Performance Audit	1 Jul 2016 – 5 May 2017
Mark Simpson	Acting Group Executive Director, Performance Audit	24 Apr 2017 – 7 Jun 2017
Michael White	Acting Group Executive Director, Performance Audit	5 May 2017 – 30 Jun 2017
Jane Meade	Group Executive Director, Professional Services and Relationships	1 Jul 2016 – 30 Jun 2017
Deborah Rollings	Senior Executive Director, Corporate Management Branch	1 Jul 2016 – 30 Jun 2017
Sue Knox	Chief Finance Officer	1 Jul 2016 – 30 Jun 2017

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

Note 2.3: Cash remuneration paid to senior executives during the year

Total cash remuneration 2018	Executives No.	Average Reportable Salary \$	Average Contributed superannuation \$	Average Allowances \$	Average Bonus Paid \$	Average Total Remuneration \$
\$200,000 and less	9	101,248	12,579	504	337	114,669
\$200,001 to \$225,000	10	179,887	28,138	-	3,740	211,765
\$225,001 to \$250,000	6	204,139	29,301	-	2,986	236,426
\$250,001 to \$275,000	4	215,717	37,304	-	7,560	260,576
\$275,001 to \$325,000	5	252,559	38,196	-	7,622	298,377
\$425,001 to \$475,000	2	386,701	53,053	-	13,970	453,724
\$625,001 to \$735,000	1	639,469	90,928	-	-	730,397
Total number of executives	37					

Total cash remuneration 2017	Executives No.	Average Reportable Salary \$	Average Contributed superannuation \$	Average Allowances \$	Average Bonus Paid \$	Average Total Remuneration \$
\$200,000 and less	14	88,617	13,875	95	1,005	103,592
\$200,001 to \$225,000	3	184,515	29,839	-	2,013	216,367
\$225,001 to \$250,000	4	198,936	32,253	-	5,470	236,659
\$250,001 to \$275,000	3	217,062	34,663	-	11,832	263,557
\$275,001 to \$325,000	6	247,970	35,714	82	8,142	291,908
\$425,001 to \$475,000	3	410,572	40,240	-	5,707	456,519
\$675,001 to \$725,000	1	627,016	88,116	-	-	715,132
Total number of executives	34					

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

Note 2.3: Cash remuneration paid to senior executives during the reporting period (continued)

Notes

1. This table is prepared on a cash basis. In 2018, there were 26 fortnightly pays (2017: 26).
2. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
3. 'Reportable salary' includes the following, as reported in an individual's payment summary:
 - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - c) reportable employer superannuation contributions; and
 - d) exempt foreign employment income.
4. The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
5. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries. Reportable allowances excludes any allowances already reported in the gross payments line in the payment summary.
6. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the ANAO during the financial year.

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

Note 2.4: Cash remuneration paid to highly paid staff during the reporting period

Total cash remuneration 2018	Highly Paid Staff	Average Reportable Salary		Average Contributed superannuation	Average Allowances	Average Bonus Paid	Average Total Remuneration
		No.	\$				
		0	-	-	-	-	\$ -
Total number of highly paid staff		0					

Total cash remuneration 2017	Highly Paid Staff	Average Reportable Salary		Average Contributed superannuation	Average Allowances	Average Bonus Paid	Average Total Remuneration
		No.	\$				
		2	263,500	25,963	-	-	\$ 289,463
Total number of highly paid staff		2					

Notes

- This table reports staff:
 - who were employed by the ANAO during the reporting period;
 - whose reportable remuneration was \$200,000 or more for the reporting period; and
 - were not required to be disclosed in Note 2.3.

Each row is an averaged figure based on headcount for individuals in the band. This table is prepared on a cash basis.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - reportable employer superannuation contributions; and
 - exempt foreign employment income.
- The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the ANAO during the financial year.

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

Note 2.5: Related Party Disclosures

Related party relationships:

The ANAO is an Australian Government controlled entity. Related parties to the ANAO are:

- Key Management Personnel of the ANAO, their close family members, and entities controlled or jointly controlled by either
- Cabinet Ministers –key management personnel for the consolidated whole of Government accounts,
- and all other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

- purchases of goods and services;
- asset purchases, sales transfers or leases; and
- debts forgiven.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the ANAO, it has been determined that there are no related party transactions to be disclosed other than KMP remuneration disclosed in Notes 2.2 and 2.3.

Note 3: Funding

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

Note 3: Funding *This section identifies the ANAO's funding structure.*

Note 3.1: Appropriations

Note 3.1A: Annual Appropriations (Recoverable GST exclusive)

	2018 \$'000	2017 \$'000
Ordinary annual services	70,531	72,143
Capital Budget ¹	978	991
Receipts retained under <i>PGPA Act - Section 74</i> ²	8,795	5,416
Equity Injection ³	-	150
Total Appropriation	80,304	78,700
Appropriations applied (current and prior years)	79,127	76,973
Variance	1,177	1,727

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

² *PGPA Act - Section 74* receipts of amounts by non-corporate Commonwealth entities. The ANAO receives departmental revenue to conduct Audits by arrangement under the *Auditor-General Act 1997 s20*.

³ Equity injections are appropriated through *Appropriation Act (No. 2)*.

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.

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

	2018 \$'000	2017 \$'000
Departmental		
<i>Appropriation Act (No. 1) 2016-17</i>	-	39,522
<i>Appropriation Act (No. 2) 2016-17</i>	150	150
<i>Appropriation Act (No. 1) 2017-18</i>	40,692	-
Total	40,842	39,672

Note 3.1C: Special Appropriations (Recoverable GST exclusive)

	Appropriation applied 2018 \$'000	Appropriation applied 2017 \$'000
Authority		
<i>Auditor-General Act 1997, Schedule 1 sections 3 and 7</i>	659	709
Unlimited amount for remuneration of the Auditor-General	659	709
Total	659	709

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) repay amounts where an act or law requires or permits the repayment of an amount received.

For the year ended 30 June 2018 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting periods.

Note 4: Financial Performance

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

Note 4: Financial Performance *This section analyses the financial performance of the ANAO for the period ended 30 June 2018.*

4.1 Expenses

	2018 \$'000	2017 \$'000
Note 4.1A: Suppliers		
Goods and services		
Contractors and consultants	21,251	19,929
Information and communication technology	4,082	3,997
Travel	793	1,058
Professional development	909	1,002
Staff related expenses	631	339
Recruitment	604	694
Property operating expenses	480	394
Other	1,616	1,579
Total goods and services	30,366	28,992
Other suppliers		
Operating lease rentals	3,650	3,629
Workers compensation expenses	334	351
Total other suppliers	3,984	3,980
Total Suppliers	34,350	32,972

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.

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

	2018	2017
	\$'000	\$'000
Within 1 year	776	4,241
Between 1 to 5 years	238	977
More than 5 years	-	25
Total operating lease commitments	1,014	5,243

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

4.2 Own-source Income

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 cost incurred to date as a proportion of the 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.

Note 5: Financial Position

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

Note 5: 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 in bank accounts.

Note 5.1B: Trade and Other Receivables

	2018 \$'000	2017 \$'000
Goods and services		
Trade receivables	1,514	1,182
GST receivable from the Australian Taxation Office	317	315
Appropriation receivables	40,300	39,228
Total trade and other receivables	42,131	40,725

Credit terms for goods and services were within 30 days (2017: 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.

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 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 (2017: nil).

The ANAO has sufficient available financial assets to meet all financial liabilities at 30 June 2018.

Note 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 2018

	Leasehold Improvements	Plant & equipment	Intangibles - Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2017				
Gross book value	2,729	2,212	5,495	10,436
Accumulated depreciation and impairment	(1,676)	(1,054)	(4,458)	(7,188)
Total as at 1 July 2017	1,053	1,158	1,037	3,248
Additions - by purchase	77	69	379	525
Depreciation and amortisation expense	(840)	(441)	(528)	(1,809)
Disposals	-	-	-	-
Total as at 30 June 2018	290	786	888	1,964
Total as at 30 June 2018 represented by:				
Gross book value	2,806	2,280	5,184	10,270
Accumulated depreciation, amortisation and impairment	(2,516)	(1,494)	(4,296)	(8,306)
Total	290	786	888	1,964

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 depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is 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 are 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 and the asset restated to the revalued amount.

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

Note 5.2A: Property, Plant and Equipment and Intangibles (continued)

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:

	2018	2017
Leasehold improvements	Lease term	Lease term
IT Assets	2 to 11 years	2 to 11 years
Office equipment	5 to 30 years	5 to 30 years
Antique furniture	30 to 80 years	30 to 80 years

Fair Value:

All property, plant and equipment are 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 (i.e. level 3).

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

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.

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 (2017: 3 to 5 years).

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 payables are settled within 30 days.

Note 6: Other information

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

Note 6 Other Information**Note 6.1: Remuneration of Auditors**

	2018 \$	2017 \$
Fees for services provided		
Financial statement audit services	88,140	87,600
Performance audit services	<u>115,384</u>	<u>109,091</u>
Total	<u>203,524</u>	<u>196,691</u>

Under clause 1 of Schedule 2 to the *Auditor-General Act 1997*, Mr Peter van Dongen 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 2016-17, the Independent Auditor commenced a performance audit of the ANAO's cyber security processes. This audit was completed in 2017-18. In 2017-18 the Independent Auditor also commenced a performance audit of the ANAO's annual performance statement.

Part 4—ANAO organisational governance and capability

The Auditor-General is responsible for both administering the Act and managing the ANAO within the arrangements of the broader Australian Public Service. Part 6 of the Act establishes the ANAO under the *Public Service Act 1999* and requires it to operate as an entity under the PGPA Act.

The ANAO is committed to building the capabilities of the organisation to achieve the Auditor-General's purpose. It does this through implementing governance frameworks, ensuring commitment to good governance practices and investing in developing organisational capability.

Governance

The ANAO has a clearly defined governance framework that supports management of the organisation and its resources. The framework provides the governance structure for the ANAO. The ANAO's corporate governance framework, processes and related organisational capability support:

- achievement of its purpose;
- compliance with relevant laws, standards and directions; and
- meeting public expectations of probity, accountability and transparency.

The ANAO governance structure is outlined in Figure 4.1.

Figure 4.1. ANAO governance structure at 30 June 2018



Executive Board of Management

The Executive Board of Management (EBOM) provides leadership to the ANAO in achieving organisational purpose and assists the Auditor-General to meet their statutory responsibilities.

The EBOM is responsible for supporting the ANAO's strategic direction; overseeing business; identifying strategic and operational risks; managing the ANAO's budget and workforce; and delivering against the commitments and initiatives outlined in annual business plans. The EBOM meets monthly and terms of reference are reviewed annually. In 2017–18 the Auditor-General determined that the Senior Executive Director, Systems Assurance and Data Analytics Group, should be appointed as a standing member of the EBOM. The revised standing membership is:

- Auditor-General (Chair);
- Deputy Auditor-General;
- Group Executive Directors, Assurance Audit Service Group, Performance Audit Service Group and Professional Standards and Relationships Group;
- Senior Executive Director, Corporate Management Branch;
- Senior Executive Director, Systems Assurance and Data Analytics Group; and
- Chief Finance Officer.

The members as at 30 June 2018 are outlined at Appendix 1.

Staff are informed about key decisions of the EBOM through communications from the Auditor-General which are published on the ANAO intranet after each meeting.

Standing Committees

To support the EBOM and ensure organisational accountability and transparency, standing committees have been established. All standing committees provide oversight to specific areas of strategic operations and are responsible for identifying and managing risk on an ongoing basis. Committees report to the EBOM through summary reports and meeting minutes. The terms of reference for the standing committees are reviewed annually.

In 2017–18 the EBOM created the Accommodation Steering Committee as a sub-committee to provide visibility to the EBOM on the progress of the accommodation project. The Accommodation Steering Committee is also responsible for the management of risk associated with the accommodation project and providing oversight of the development of designs and plans.

The business of the ANAO is governed through the following committees.

- **People and Change Committee** provides strategic advice to the EBOM on people and capability development and on managing change in the ANAO.
- **Quality Committee** provides assurance and assistance to the EBOM on the ANAO's quality framework and the strategic and operational risks associated with quality.
- **Finance Committee** advises the EBOM on financial matters, and monitors the strategic and operational risks associated with resources.
- **IT Strategic Committee** provides advice to the EBOM on information technology, business systems strategic directions and investments and monitors associated operational and strategic risks.
- **Security Committee** provides assurance and assistance to the EBOM on the ANAO's security framework and monitors associated strategic and operational risks.

- **Work Health and Safety Committee** is responsible for monitoring and reviewing the Work Health and Safety (WHS) policies and practices and advising the ANAO on WHS matters.
- **Accommodation Steering Committee** supports the implementation of the ANAO's accommodation project and provides advice to the EBOM and the Accommodation Project Team as required.

Operational Committees

There are three ANAO operational committees.

- **Remuneration Committee** advises the Auditor-General on processes to support changes in remuneration and performance payments.
- **Qualifications and Accounting Policy Committee** 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 meets as required to provide advice to the Auditor-General.
- **Weekly Operational Committee** oversees the operational activities of the ANAO with a particular emphasis on staffing, performance and external relations. The committee also considers the status of the audit program in service group reporting and any other matter of strategic importance to the ANAO. The committee meets weekly.

Audit Committee

The Audit Committee provides independent assurance and advice to the Auditor-General, including reviewing the appropriateness of the ANAO's financial and performance reporting, systems of risk oversight and management, and systems of internal control. Section 45 of the PGPA Act and section 17 of the PGPA Rule set out the role of the audit committee for Commonwealth entities.

In order to maximise the independence of the assurance and advice provided by the Audit Committee the Auditor-General appoints only external independent members. The Audit Committee met five times during 2017–18.

During 2017–18 its membership comprised:

- Mr Will Laurie (Chair), external independent member;
- Mr Sean Van Gorp, external independent member; and
- Ms Maria Storti, external independent member.

Dr Ian Watt's engagement on the ANAO Audit Committee ceased in June 2017 and he was replaced by Ms Maria Storti in August 2017. In December 2017, the engagement of Mr Will Laurie as Chair of the Audit Committee was renewed for a further two years.

External scrutiny

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

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 having regard to the audit priorities of the Parliament determined by the JCPAA. 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, who was appointed as the Independent Auditor in June 2014.

In 2016–17, the Independent Auditor undertook a performance audit of the ANAO's cyber security processes. The report, [Review of Cyber Security](#), was tabled in Parliament on 4 December 2017. The report included a number of recommendations relating to the ANAO's own IT environment and the

ANAO's cyber security performance audits of other Australian Government entities. The ANAO [response to the report's recommendations](#) is available on the ANAO website.

The ANAO received an unmodified auditor's report on its financial statements for the year ended 30 June 2018.

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had or may have a significant effect on the operations of the ANAO in 2017–18. However, in January 2018, proceedings were filed by Thales Australia in the Federal Court of Australia, seeking to prevent the Auditor-General from publishing particular information in a proposed audit report; *Army's Protected Mobility Vehicle – Light*. These proceedings were filed after the Auditor-General declined a request to exclude certain information from the proposed audit report. In January 2018, Thales Australia also sought a certificate from the Attorney-General under subsection 27(1)(b) of the *Auditor-General Act 1997*. The Auditor-General received a certificate on 29 June 2018 which requires omission of particular information from the proposed report. The proceedings in the Federal Court of Australia were dismissed by consent shortly thereafter.

The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2017–18.

Governance practices

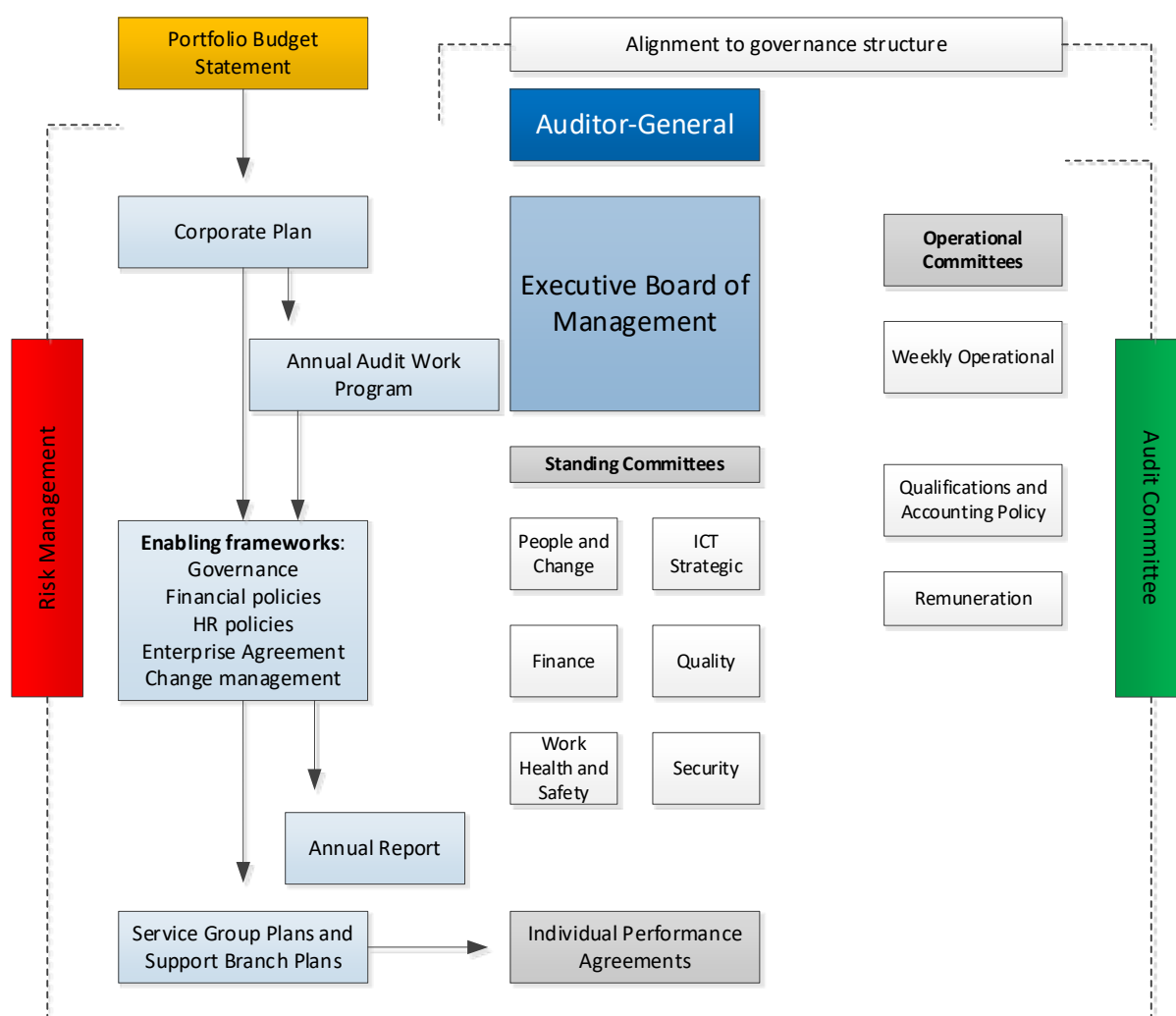
The Auditor-General has a framework of practices supported by strategic planning, risk management, quality assurance, the control environment and capability development. These assist in supporting good quality organisational governance and management.

Strategic planning

Strategic planning drives the ANAO's activities and enables the ANAO to adjust its activities and resourcing to align with emerging priorities and support achievement of its purpose. The ANAO's organisational priorities are identified in the ANAO corporate plan and performance is measured and reported in the annual performance statements in the annual report. The ANAO tracks all key strategic projects, including milestones and dependencies, at the EBOM and uses this to drive the business of the ANAO governance committees.

Key elements of the ANAO's strategic planning framework for 2017–18 are presented in Figure 4.2.

Figure 4.2: ANAO strategic planning framework



ANAO corporate plan

The [corporate plan](#) is the ANAO's primary planning document and sets out how the office will achieve its purpose. The corporate plan is complemented by the ANAO's annual audit work program which reflects the ANAO's audit strategy and deliverables.

The corporate plan sets out the purpose of the ANAO and the environment within which the ANAO expects to operate. It also outlines the planned performance framework including details of the methodology, data and information to be used to measure and assess performance and capability investments including the plans and strategies to be implemented to achieve its purpose. It includes an overview of the ANAO's risk oversight and management systems.

ANAO annual audit work program

The [annual audit work program](#) sets out the ANAO's audit strategy and deliverables for the coming year. It informs the Parliament, the public and government sector entities of the planned coverage of the Australian Government sector by way of financial statements audits, performance audits and other assurance activities.

The annual audit work program presents information on the financial statements audits and other assurance activities that will be finalised in the coming year. The program also presents information on performance audits in progress and a rolling program of potential performance audits and assurance engagements for each portfolio.

A whole-of-organisation planning process brings together the knowledge and insights gained from the ANAO's financial statements audit work and the program of performance audits to inform the identification of topics for inclusion in each year's program. The development of the annual audit work program takes into account the views of the Parliament, as presented by the JCPAA. The ANAO also consults directly with entities subject to financial statements audit coverage and potential performance audit coverage to obtain their views on the program. The Auditor-General consults with other review agencies including the Commonwealth Ombudsman, the Inspector-General Intelligence and Security, and the Inspector-General of Taxation in preparing the program. The release of draft potential performance audit topics on the ANAO's website provides an opportunity for members of the public to provide views.

Risk oversight and management

The ANAO's [Risk Management Framework](#) is based on adherence to the Commonwealth Risk Management Policy of July 2014. The policy adopts definitions outlined in the international standard on risk management, AS/NZS ISO 31000:2009 *Risk management – Principles and guidelines*. The standard defines risk as 'the effect of uncertainty on objectives', and risk management as the 'coordinated activities to direct and control an organisation with regard to risk'. The policy has nine elements and the ANAO has established risk oversight and management systems to address each of those elements.

The ANAO's management of risk is designed to be built into business-as-usual practices with the aim of using consistent language, approaches and documentation across all levels of the organisation. Risks associated with audit products are identified and managed within the delivery of the products and within the quality framework.

Risks need to be managed in the context of achieving organisational goals and objectives. While all staff contribute to the way risks are managed, senior staff in key positions are expected to have a clear view of the risk treatment (where applied) and its effectiveness in operation.

The ANAO has adopted an integrated approach to managing risk, whereby risks are considered and assessed at different levels within the organisation. Identifying and assessing risks does not occur in isolation, but requires the consideration of risks identified and treated at other levels. Any significant risks are to be escalated to ensure that these are appropriately treated and the residual risk reduced to an acceptable level. All risk assessments, including their identification, controls, likelihood, consequence, and residual risk rating are documented consistently across the ANAO. Controls embedded within the ANAO's current business processes are identified as part of the risk evaluation process.

The EBOM 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 2017–18, and all risks with controls in place were assessed as 'medium' or 'low'.

Internal audit

Internal audit provides an objective audit service which is designed to add value and improve the ANAO's operations. A systematic and disciplined approach is taken to evaluate and improve the effectiveness of risk management, control and governance processes.

In 2017–18, the ANAO's internal auditor, BellchambersBarrett, completed the following reviews:

- Business Continuity and Disaster Recovery;
- Gifts, Benefits and Official Hospitality Policy;
- Management of Underperformance;
- Performance Statement Audit;
- Fraud Risk Assessment and Fraud Control Plan;
- Outsourcing of IT Services — Project Implementation; and
- Learning and Development — Mandatory Training.

The seven completed internal audits made 16 recommendations in total. Following the June 2018 Audit Committee meeting there were 11 outstanding internal audit recommendations that had work in progress to address the recommendations. Three of these relate to internal audits completed in 2016–17 where the implementation had not been achieved within the anticipated completion date.

Quality Assurance Framework

Auditing Standards

The ANAO's work is governed by the ANAO Auditing Standards established by the Auditor-General, in accordance with section 24 of the Act. The ANAO Auditing Standards are set out in a legislative instrument under the *Legislation Act 2003*. It is the Auditor-General's intention that audits conducted by the ANAO should be conducted to the same standards required of the auditing profession in Australia and consistent with the international public sector auditing community, to the extent that they are not inconsistent with the provisions of the Act or other relevant legislation.

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

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

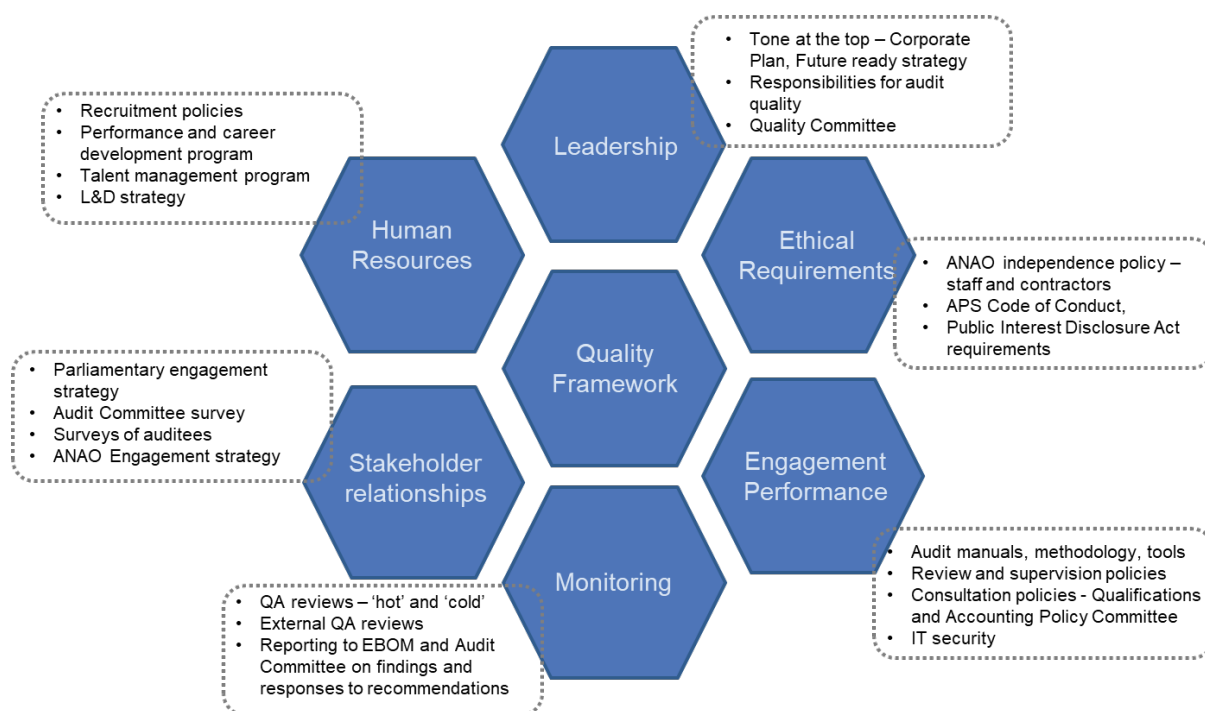
Prior to February 2018, the ANAO Auditing Standards incorporated the standards made by the Auditing and Assurance Standards Board as applied by the auditing profession in Australia (the AUASB standards). This was in the context that, until recent years, there was not a robust standard-setting framework for international public sector auditing standards. Since 2004, the International Organization of Supreme Audit Institutions (INTOSAI) has worked to build the capacities and structures needed to provide a widely recognised set of international professional standards for public-sector auditing.

ASAE 3500 *Performance Engagements* (ASAE 3500) is the relevant AUASB standard for performance audits in Australia. The AUASB reissued ASAE 3500 in October 2017. The revised version of the standard included changes to the requirements for the content of performance audit reports. The most significant change impacts the way conclusions and findings are required to be reported. The revised standard requires that the conclusion on the performance audit be clearly separated from any findings and recommendations and only significant negative findings can be referred to in stating the conclusion. The revised standard does not include the flexibility to enable the ANAO to continue to include both positive and negative findings and observations in the conclusion section of its audit reports.

The ANAO Auditing Standards established in February 2018 largely adopt the revised ASAE 3500, however the reporting requirements of ASAE 3500 are replaced with those contained in INTOSAI Standard ISSAI 3000 *Standard for Performance Auditing* (ISSAI 3000). The reporting requirements of ISSAI 3000 are consistent with the current practice of the ANAO in reporting conclusions, findings and recommendations in performance audit reports. Specifically, the reporting requirements of ISSAI 3000 allow for the audit conclusion to include and be presented together with other information that highlights both positive and negative aspects of performance. This is consistent with the ANAO's current approach in reporting to the Parliament and with the ANAO's purpose.

The ANAO Auditing Standards also incorporate Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and other Financial Information, other Assurance Engagements and Related Services Engagements* (ASQC1). ASQC 1 requires the ANAO to establish and maintain a system of quality control to provide it with reasonable assurance that the ANAO complies with the ANAO Auditing Standards and other applicable requirements and that reports issued by the Auditor-General are appropriate in the circumstances.

The ANAO maintains a focus on the quality framework as a core business investment. A sound quality framework supports delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in reports prepared for the Parliament. The system of quality control established and maintained by the ANAO encompasses a number of key elements including learning and development requirements, delegations framework, methodology development and review, an escalation framework for accounting policy and qualifications risk, both supervisory and arms' length internal review, and external review. The quality framework and its activities are overseen by the Professional Services and Relationships Group which reports to the Auditor-General on technical quality and standards issues.

Figure 4.3: ANAO Quality Framework

Methodology

The ANAO Auditing Standards are supported by a methodology incorporating audit manuals applicable to performance audit and assurance audit work. This methodology is regularly reviewed and updated as required for changes in the ANAO Auditing Standards, industry better practice, new and emerging products and to address findings from the ANAO quality assurance program. In 2017–18 updates to the methodology included:

- a substantial update of the performance audit manual to incorporate changes to the ANAO Auditing Standards and to reflect current practice in a more robust manner;
- continuing development of the methodology for auditing performance statements to reflect experience gained in this relatively new subject matter; and
- issuing guidance arising from post-implementation reviews of the application of the methodology to efficiency audits and performance audits of Government Business Enterprises.

Compliance with ANAO Quality Assurance Framework

The ANAO quality framework includes policies and processes to monitor compliance with the policies and procedures contained in the framework, particularly as they relate to the performance of audits. Monitoring programs are additional to, and supplement, the supervision and review policies that apply to all audits and the engagement performance element of the framework, and are the responsibility of the business units. Monitoring activities are the responsibility of the Professional Services and Relationships Group reporting to EBOM and the ANAO Audit Committee. The ANAO Quality Committee is responsible for monitoring the ANAO's progress in addressing the findings and recommendations arising from the monitoring programs.

Monitoring processes include:

- annual quality assurance reviews of completed audits covering all of the functions of the ANAO;

- real time quality reviews of in-process financial statement audits;
- progress reviews at specified points by the audit executive and Auditor-General for in-process performance audits;
- bi-annual external peer reviews of completed performance audits performed by the Office of the Auditor General New Zealand; and
- external reviews of the quality framework and completed audits, as considered appropriate.

The key enhancement to the quality framework in 2017–18 was the introduction of external reviews for assurance audits. The ANAO invited ASIC to conduct an external independent review of the ANAO's Quality Assurance Framework and two audits of financial statements for the year ended 30 June 2017. The reviews were conducted using ASIC's methodology for reviewing private sector audits. ASIC conducted a high level review of the ANAO's policies covering the key requirements of auditing standard ASQC 1 and a detailed review of the ANAO's monitoring program of internal quality reviews of financial statement audits. Within the scope of ASIC's review, it identified no areas where the design of the framework did not satisfy the requirements of ASQC 1 and made two good practice recommendations that the ANAO is in the process of addressing.

Control environment

The ANAO has a robust control environment in place. The current control framework includes the following approved policies and procedures which document key business procedures and incorporate details of key internal controls. Regular reviews of controls are undertaken by management and through the use of internal audit. Key documents include:

- Auditor-General instructions (AGIs). These apply key principles and requirements of the Commonwealth's resource management framework to the operations of the ANAO;
- Financial Management Procedures (to support the AGIs);
- Delegations and authorisations; and
- The Employee Handbook.

Probity and independence

The ANAO's commitment to high ethical and professional standards underpins the quality of its work. For audit professionals, independence is an element central to the quality of each audit. It is the avoidance of circumstances that could compromise any member of the audit team's ability to act with integrity and exercise objectivity and professional scepticism. The ANAO Auditing Standards and the ANAO Independence Policy require staff and contractors engaged in audits to comply with the relevant provisions of the Accounting Professional & Ethics Standard Board, APES 110 *Code of Ethics for Professional Accountants* relating to independence. Any threat to independence must be evaluated and safeguards applied to reduce the threat to an acceptable level. Situations where a threat cannot be reduced to an acceptable level are not entered into or allowed to continue.

When conducting procurements, the ANAO adheres to the Department of Finance [Ethics and Probity in Procurement Principles](#). Staff involved in assessing procurements are required to receive a probity briefing from the procurement team. Any open tender procurements require the completion of probity and conflict of interest declarations from staff involved in evaluating the responses before they are given access to the responses. Complex procurements have nominated probity advisors included in the evaluation team either from internal ANAO staff or specialised external probity advisors.

Fraud control and prevention

The Finance Committee is responsible for monitoring fraud control and prevention. The fraud control framework is made up of the Fraud Control Policy, Fraud Control Plan and Fraud Risk Register. Consistent with previous years, the ANAO continues to maintain appropriate fraud prevention, detection, investigation, reporting and data collection procedures. The ANAO enhances fraud awareness amongst staff through various mechanisms, including a fraud e-learning module. In July 2017 the Auditor-General made annual completion of the fraud e-learning module mandatory for all ANAO staff.

The current Fraud Control Plan is linked to the ANAO Risk Management Framework and consolidates all fraud prevention and detection activities 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 reviewed annually and published every two years.

There were no incidents of fraud in 2017–18. All fraud risks were assessed and appropriate controls were in place.

Auditor-General's disclosure of expenses

The Auditor-General voluntarily discloses publically any expenses incurred to ensure transparency. His expenses for the 2017 calendar year and for January to June 2018 are available on the ANAO website. The [Auditor-General's expenses](#) are disclosed every six months.

Gifts and benefits

The ANAO gifts and benefits policy recommends that ANAO employees do not accept any gifts or benefits in their role as an employee of the ANAO. Employees are required to report any offered gift or benefit (whether accepted or refused) within ten business days of the offer being made, through an internal gifts and benefits register. The data collected through the register is reported to the ANAO's EBOM, and a subset of the data is [reported publicly](#), twice per year.

Outside employment

The ANAO provides its employees with flexibility to participate in activities outside the APS if the activities do not conflict or adversely affect the performance of their official duties. There is a range of activities that may be deemed to be in the public interest and of professional benefit to the individual and to the ANAO. Outside work is other employment (paid or unpaid) or volunteer activities undertaken by an employee in addition to their official duties or while on paid or unpaid leave from the ANAO.

Prior approval is required for all outside activities and employment unless specifically excluded from the policy. If an employee commenced outside employment before joining the ANAO, the employee must obtain approval to continue the employment immediately upon commencement. In all other cases, employees must obtain approval before commencing outside employment.

Approval is not required where activities are solely of a personal nature, that is when employees perform work or undertake activities for voluntary community organisations or sporting bodies. Passive investment activities, such as rental properties, share trading and so on, are also excluded from approval requirements. However all exclusions from approval are on the basis that activities are undertaken in the employee's own time, no ANAO resources are used and that there is no conflict of interest or adverse effect on their official duties.

At 30 June 2018, the ANAO approved 41 staff undertaking outside employment activities.

Compliance survey

On a bi-annual basis the delegates of the ANAO are required to assert through the Compliance Survey compliance with the financial framework, including the PGPA Act. Results of the survey are reported to the ANAO Audit Committee and EBOM. The response rate to the surveys was 100 per cent of applicable staff.

In 2017–18 the survey identified no major breaches of the ANAO delegations, financial management rules and associated legislation. Two minor breaches related to incorrectly reporting contracts on AusTender were reported. Relevant staff were counselled to ensure future breaches do not re-occur.

Detailed reporting and analysis of staff misuse of credit cards is regularly provided to the EBOM and the Finance Committee. All incidents of incidental personal use are reported to the EBOM. The CFO directly contacts these staff and reminds them of their obligations in using the corporate credit cards and ensures prompt repayment of monies into the departmental bank account. In 2017–18 there were 18 incidents of staff misuse of credit cards. All these incidents were investigated and found to be inadvertent and the staff involved were counselled.

Organisational capability

Building the capabilities of the organisation is a key priority for the ANAO to ensure a workplace culture focused on excellence, integrity and respect. The ANAO maintains working relationships with international and national audit counterparts, audited entities and the audit profession to build its capability through the two-way exchange of information and practices.

Future Ready

In 2016, the ANAO introduced the Future Ready Change Program (Future Ready) which was designed to position the ANAO to deliver audit services to the Parliament into the future. Future Ready was embedded in the ANAO Corporate Plan 2017–18 under the Capability section. Future Ready outlined the strategic shifts the ANAO would make to sustainably deliver value-adding audit services into the future and centred on four key capability areas:

- new models of audit service delivery;
- advanced information and communication technology (ICT) strategy and systems;
- contemporary communication capabilities; and
- leadership capabilities.

New models of audit service delivery

The purpose of investments in this capability was to drive improvements in the ANAO's audit products through increasing the range of audit topics and audit types that are undertaken, improving audit practice management processes to share information and skills across the office, investing in accommodation that supports a collaborative work environment and supporting quality audit outcomes.

In 2017–18 the ANAO developed new audit methodologies for performance statement audits and efficiency audits and created a collaboration space for all staff to trial new ways of working. The ANAO also improved the quality framework as outlined in the Quality Assurance section. In 2017–18, the ANAO adopted a revised Social Media Policy and ANAO Independence Policy.

The accommodation project is a large project which commenced in 2017–18 to support a collaborative work environment. The design is intended to support collaborative work while making efficient use of space.

Accommodation project

The ANAO's current lease expires in September 2018. The ANAO has been undertaking a project throughout 2017–18 to design a workplace that supports delivery of the Auditor-General's purpose now and into the future and meets government space requirements. After completing a thorough search for suitable office space that delivered value-for-money to the Commonwealth, the ANAO is in negotiations to enter a 12 year lease to remain in the current building, 19 National Circuit, Barton. Fit-out works will be undertaken to develop a workplace that efficiently and effectively uses available space and better supports communication, collaboration and adaptability.

The EBOM established an Accommodation Steering Committee which meets monthly and reports on the progress of the project. The Steering Committee is assisted in its work by an Accommodation Project Board which meets fortnightly to manage the operational implementation of the project.

To support the change process the ANAO engaged consultants, Puzzle Partners, to develop a workplace strategy to guide the design of the future work environment. The strategy was informed by workplace observations, as well as feedback provided during staff discovery sessions and CoDesign Sessions, in a dedicated project information space and through an online workplace survey. Staff were able to trial and provide feedback on furniture options in a pop-up space.

Final designs for the fit-out have been agreed and the ANAO is now commencing procurement processes to support the refurbishment. It is expected that this project will continue to be rolled out over the coming financial year.

Advanced ICT strategies and systems

Future Ready outlined investments in ICT strategies and systems that were aimed at investing in data analytics, improving options for flexible and remote working, centralising systems and tools used across the ANAO and supporting them from Corporate Management Branch.

As outlined in Part 2, the ANAO has created the Systems Assurance and Data Analytics Group. This group is responsible for implementing the ANAO's Data Analytics Strategy.

Any investments in the ANAO's ICT capability must be supported by the ANAO IT service provider. A key activity for 2017–18 has been the procurement of a new IT support contract for the ANAO.

ANAO IT support

The ANAO outsources a number of IT functions including a service desk and management of hardware, infrastructure and IT processes. The existing outsourcing agreement expires in mid-2018, and the ANAO approached the market through an open tender to procure IT services to provide support into the future.

After rigorous evaluation and negotiation processes the ANAO selected ASG Group Limited (ASG) to provide IT services in a new three year contract. The contract with ASG commenced on 2 July 2018 and has been designed by the ANAO to support and mature its technology capability, including:

- Transformation to a PROTECTED cloud through Infrastructure as a Service;
- Capability to support ANAO's future business environment – technology for new accommodation, improved remote working, collaborative computing, data analytics;
- Introduction of new service support arrangements – onsite helpdesk and greater online support;
- New performance framework with service levels that align with critical business needs; and
- Focus on building a mature, risk based approach to ANAO's cyber resilience.

Unisys, the previous IT service provider, has agreed to an extension of its current contract in order to facilitate the transition to ASG.

Contemporary communication capabilities

The ANAO has invested in improving its communication over a number of years. This has included focussing the communication within audit reports. In 2017–18 the ANAO introduced reporting on 'key learnings for all Australian Government entities' in every report since Auditor-General Report No. 9 of 2017–18, *Management of the Pre-construction Phase of the Inland Rail Programme*. Key learnings identify key issues arising out of ANAO audits that all entities should consider and is another mechanism by which the ANAO seeks to improve public administration.

In 2017–18, the ANAO has increased the number of [audit insights](#) it publishes. These publications identify and discuss common recurring issues, shortcomings and good practice examples, identified through our financial statement and performance audit work. Six audit insight publications were released covering a broad range of topics.

A key area of focus for the ANAO has been improving the organisations internal communication with staff.

Events

The ANAO organises regular events designed to keep staff informed and engaged.

Town Hall events are designed to inform staff of current organisational priorities, future directions and relevant developments. The purpose is to create a sense of cohesion across the organisation and to recognise achievements of staff. Three Town Hall events were held in 2017–18.

The ANAO Leaders Speaking program is designed to expose staff to ideas about leadership, beyond those they are typically exposed to working in audit and the APS more broadly. Three Leaders Speaking events were held in 2017–18. Guest speakers who gave a presentation about their lives and leadership experiences were Virginia Haussegger AM (former journalist and now adjunct professor at University of Canberra's Institute for Governance and Policy Analysis and head of the 50/50 by 2030 Foundation), Lyn Provost (former Auditor-General and Comptroller General NZ) and Julie Crisp (current Auditor-General NT).

Leadership capabilities

Investments in the ANAO's leadership capability were aimed at forming strong relationships with counterparts, shaping and managing business strategy and providing a framework for people development. The key activities in 2017–18 was the development of the ANAO Workforce Plan and the ongoing investment in the ANAO's national and international relationships.

Workforce plan

At 30 June 2018, the ANAO employed 320 staff, including 27 Senior Executives. The ANAO staffing profile, details of coverage of employment instruments, diversity statistics and salary information can be found at Appendix 2.

In April 2018, the EBOM endorsed the ANAO Workforce Plan. The objective of the plan is to ensure that the ANAO has a professional and capable workforce that can respond to the Auditor-General's mandate and priorities in coming years. The plan was developed in response to a number of challenges the ANAO faces:

- **Workload demand and workforce supply:** the annual financial audit cycle has periods of intensity that the ANAO must meet, but is currently restricted by the service group by service group approach;
- **Capability development and deployment:** existing systems do not effectively identify and respond to resourcing and capability gaps, reducing workforce efficiencies;
- **Organisational and industry separation:** ANAO workforce and recruitment strategies are not aligned with the rates of turnover within the organisation and the wider auditing industry;
- **The future auditor:** the need to build a skilled workforce for the future that is forward-looking, risk focused, technologically adept, change orientated and highly adaptive supported by recruitment methods that proactively meet resourcing needs and recognise the core and specialist capabilities required; and

- **High performance culture:** the need to embed a cohesive culture that aligns to our professionalism and values, driven by empowered leadership and a commitment to high performance.

The plan will be implemented through the following two enabling frameworks and three strategies which are in development:

- human resource metrics framework;
- core capability framework, including new capability areas such as data analytics and assurance;
- recruitment strategy;
- onboarding and separation strategy; and
- development and high performance strategy.

Recruitment and retention

Graduate program

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 seven years. During the 12-month program, graduates undertake an intensive learning and development program, consisting of technical, people management and general training and skill development.

In 2018, the ANAO's graduate program included 29 graduates: 11 in the Assurance Audit Services Group; 11 in the Performance Audit Services Group; 3 in the Systems Assurance Data Analytics Group, 1 in the Professional Services and Relationships Group and 1 in the Corporate Management Branch. As part of the partnership program between the ANAO and the Papua New Guinea Auditor-General's Office (AGO), sponsored by the Department of Foreign Affairs and Trade, two graduate-level staff from the AGO also participated in the 2018 ANAO graduate program.

Intern program

The ANAO's undergraduate employment program provides paid part-time practical work experience for people studying relevant disciplines at universities in Canberra. During 2017–18, 14 students took part in the ANAO intern program. 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.

Supporting high performance

During 2017–18, the ANAO supported 54 staff members to undertake professional qualifications and tertiary education, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA (which is the professional association for IT audit specialists). The ANAO also invested in a diverse range of programs to build capabilities, including coaching, technical workshops, well-being and communication skills.

The ANAO's 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 ten 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.

The ANAO recognises and rewards individual staff and teams who make a significant contribution to achieving its business objectives, in areas such as client service, people management, business management, audit management and innovation. The recognition and awards system comprises formal ANAO awards (Auditor-General's Australia Day Awards, Outstanding Achievement Awards, Professional Development Awards, and Certificates of Appreciation) and formal external awards (Public Service Medals, Institute of Public Administration Australia Awards, Chartered Accountants Australia and New Zealand – Leadership in Government Awards).

Talent Management program

Following the success of a pilot program in 2017, the ANAO launched its Talent Management Program in April 2018. The 2018 program will run along similar lines to the pilot program with nine ANAO staff participating. Themes for the year will include:

- leadership capabilities;
- embracing change; and
- managing performance.

Participants also have been asked to explore and make recommendations regarding strategic issues facing the ANAO as identified by the EBOM.

360-degree feedback

The Executive 360 project was developed to assess the leadership capabilities of the Executive Level cohort to deliver on the ANAO Corporate Plan 2017–18. In late 2017, the ANAO engaged Nous Group to deliver this project in conjunction with an in-house project team. There were a number of critical success factors:

- at the completion of the project the ANAO had a clear understanding of the development needs and strengths of its Executive Level staff;
- Executive Level staff had a positive development experience; and
- the 360 instrument was developed to meet ANAO needs and align to the Australian Public Service Integrated Leadership System.

Between January and June 2018, 77 Executive Level 1 and 88 Executive Level 2 staff undertook a survey followed by individual Executive Coach debriefs.

The Executive will review the final report and its recommendations in early July and decide how best to provide development to Executive Level staff in terms of their personal and professional development.

Staff Engagement

The ANAO is committed to building a productive and supportive workplace that encourages and engages its employees. Each year, the ANAO participates in the APS Employee Census. The ANAO's 2017–18 survey achieved a staff response rate of 81 per cent, which while a good result, was a little lower than last year's response rate of 84 per cent. Of the 319 staff who were eligible to complete the survey, 258 did so. The ANAO received the report in late July and is currently reviewing the results.

In November 2017, the ANAO launched an innovative staff engagement and capability building program called LearnFest. LearnFest was inspired by a similar program run at the National Audit Office in the United Kingdom. The overarching principles of LearnFest were to improve organisational culture, develop staff and leadership capability and support diversity and wellbeing.

Across the LearnFest week, 20 to 24 November 2017, staff attended workshops and activities to build their professional and technical skills along with sessions aimed at improving management and leadership skills and workshops that linked directly to personal health and wellbeing. The ANAO Diversity Contact Officer Network also hosted a multi-cultural food festival, FoodFest, and handmade market during LearnFest enabling recognition of diversity and creativity of staff. LearnFest had 1001 attendances at 37 workshops led by 21 internal presenters and 14 external presenters. Seventy five per cent of ANAO staff attended at least one LearnFest workshop.

The ANAO Senior Executive Service (SES) Conference is an opportunity for senior ANAO leaders to exchange ideas and solve challenges on current and future operating environment and priorities as well as plan and agree strategic directions for the organisation. During this year there was an expectation that SES staff would lead and facilitate the conference to encourage diversity of ideas as well as build individual capability. Two SES conferences were held in 2017–18. These fed into the development of the ANAO Corporate Plan 2017–18, development of the ANAO's data strategy, and improvements to the ANAO's engagement strategy.

Health and Wellbeing Initiatives

The ANAO is committed to promoting the health and wellbeing of its staff. The ANAO recognises that work-based health and wellbeing programs positively contribute to morale, resilience and productivity by reducing workforce absence, illness and workplace injury. The ANAO participates in the Australian Public Service Commission's Benchmarking on unscheduled absences across the APS which can provide information on staff wellbeing. The most recent report received, covering the period 1 July 2017 to 30 March 2018 shows the ANAO's unscheduled absence rate at 7.8 days compared to the APS average of 8.4 days.

By informing, enabling and supporting staff to make healthy choices, the ANAO is contributing to the overall health and wellbeing of its social community. During 2017–18, programs that were promoted include:

- diversity contact officers;
- the introduction of the Reasonable Adjustment Passport;
- the Employee Assistance Program;
- Mental Health Guru;
- flu vaccinations (156 staff received vaccination onsite with a further 42 opting to receive a voucher);
- annual health checks (87 staff participated);
- Whole of Canberra Workplace Challenge in April (37 staff participated);
- the introduction of eight mental health first aid officers; and
- provision of fruit for staff during National Safe Work Week.

Relationships

The ANAO invests in a number of relationships to support its ability to be a learning organisation through the two-way exchange and sharing of information and practices, and to support other nations through peer-to-peer institutional capacity development. In November 2017 the EBOM endorsed the ANAO's Engagement Strategy that details the ANAO's organisational engagement approach to key relationships with the public sector auditing community.

The ANAO's key relationships include the Australasian auditing community, through our membership in the Australasian Council of Auditors-General (ACAG). The ANAO also has close links with the international and regional auditing community through the INTOSAI and its regional working groups, and contributes to the delivery of the Australian Government's aid program in the Indo-Pacific region. The ANAO values its relationships with the Australian Accounting Standards Board (AASB) and the AUASB, in their roles of setting and maintaining professional and ethical standards for the accounting and auditing professions, which underpin the delivery of quality audit services.

The ANAO website contains further information about the ANAO's [relationships](#).

International relationships

International Supreme Audit Institutions

The ANAO is a member of 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; 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 and presenting to visiting delegations, providing information and participating in surveys.

Key engagements in the 2017–18 period included:

- participating in the 20th PASAI Congress in Tuvalu. The theme for the Congress was 'Promoting Values and Benefits of Supreme Audit Institutions through Effective Communication';
- as a panellist at the Board of Audit of Japan 22nd Tokyo International Meeting on Audit. Meeting discussions were based around the theme of Auditing the Implementation of Energy Policies in the respective participating countries;
- co-hosting in Sydney, Australia, the 27th Meeting of the INTOSAI Working Group on IT Audit alongside the Chair, the Auditor General of India. The meeting was attended by 48 delegates from 23 member countries;
- as a presenter at the Institute of Internal Audit Public Sector Conference Singapore. The ANAO's presentation provided an auditor's perspective on digital transformation, under the conference theme of Internal Audit: Adding Value in Public Sector Transformation;
- participating in the Global Audit Leadership Forum in Luxembourg. Forum discussions were focused on the topics of: Carrying out performance audit in a political context - what are the limitations; and Communicating audit findings in a digital world - challenges and opportunities;

- participating in the PASAI Regional Working Group on Environmental Audit in Brisbane;
- hosting a six month overseas fellowship programme participant from the Board of Audit of Japan, supported by the Japanese Government. The fellowship program aims to foster specialists with international experience and to contribute to the further improvement of the Board of Audit of Japan's performance audit;
- as a guest editor for the first e-newsletter of the Commonwealth Auditors General Group. The first edition focuses on leveraging technology in public audit and draws on international peers' experiences and learnings from conducting cybersecurity audits; and
- as a member of an expert group that is led by National Audit Office of the People's Republic of China, preparing for the 2019 INTOSAI congress meeting theme discussions relating to information technologies for the development of the public administration.

Australia's International Aid Program

Through a partnership agreement with the Department of Foreign Affairs and Trade, the ANAO is 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.

Australia Indonesia Government Partnerships Fund

The ANAO's activities under the Australia Indonesia Government Partnerships Fund (GPF) program with the Audit Board of Indonesia (BPK) are designed to support BPK's efforts to strengthen management of its audit functions. The program is aligned with the BPK strategic plan objectives of delivering high quality audits and achieving national development goals by Indonesian Ministries and Agencies. The key 2017–18 program focused on performance and financial audit management, quality assurance systems and organisational development to support audit management and capability. An ANAO SES staff member is deployed to the BPK to provide ongoing support to the implementation of performance audit action plan and related organisational development activities. The program includes visiting senior staff providing technical training and updates to BPK, and delegations of BPK senior staff visiting Australia for strategic discussions.

Australia Papua New Guinea Twinning and Strongim Gavman Program

The Institutional Partnership Program (IPP) commenced on 1 July 2017 after the conclusion of the precursor program, the Strongim Gavman Program. The IPP supports the development of long term institutional relationships between Australian and Papua New Guinea Government entities. The ANAO's activities under the IPP with the AGO support the AGO's efforts to strengthen the management of its audit functions, in-line with the AGO Corporate Plan 2017-2021 strategic objectives. In 2017, the ANAO reviewed the support provided to the AGO, moving from a model with two embedded advisers to one senior performance audit adviser with increased reciprocal short-term exchange activities to provide more targeted support for key priority AGO projects. The key 2017–18 program focus areas were leadership engagement, financial audit methodology and technical support, contract management, information and communications technology support and IT audit. The program continued individual capacity building opportunities through AGO staff placements in ANAO graduate and manager programs.

National relationships

Accountable authorities

The ANAO has an important relationship with the accountable authorities of Australian Government entities, who have primary responsibility for and control over public sector entities' operations. The ANAO engages with auditees at a number of levels to strengthen relationships and promote improved financial reporting and public sector administration.

The ANAO considers that its ongoing relationship with chief financial officers (CFO), officials of audited entities and audit committees helps to achieve its purpose to both improve public sector performance and support accountability and transparency in the Australian Government sector. As part of this work, the ANAO conducts [client seminars](#), [CFO 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 ANAO hosted CFO forums in [December 2017](#) and [June 2018](#) that were each attended by approximately 80 CFOs and entity representatives. In these forums the ANAO shares information about issues arising in audits, key focus areas of the audit program and provides insights and themes on the effectiveness of public administration. The forums are streamed online, with the broadcast retained on our website after the live delivery, to provide multiple access opportunities for CFO's to participate.

Audit committees play an important role in entities' governance frameworks. Two audit committee chairs forums were held in [December 2017](#) and [June 2018](#) that were co-presented with the Department of Finance and attended by approximately 40 audit committee chairs and representatives on each occasion. To provide opportunities for interstate chairs to participate, the Auditor-General held a forum in Sydney in February 2018 that was attended by seven chairs of audit committees. The forums provide an opportunity to share insights from the audit program and relevant updates and information to assist committees to meet the requirements of the PGPA Act and Rules. A communique is published on the ANAO website after each forum.

Australasian Council of Auditors-General

The Auditor-General is a member of the ACAG, which comprises the Auditor-General for Australia, the Auditors-General for each Australian state and territory, and the Auditors-General for Fiji, New Zealand and Papua New Guinea. ACAG's objective is to promote and strengthen public sector audit in Australasia through leadership, collaboration, engagement, advocacy and peer support. The ANAO contributes to the council's work by attending business meetings and sub-committee meetings, preparing discussion papers, participating in information exchanges, undertaking annual benchmarking and client surveys and conducting peer reviews. In February 2018 the delivery of the ACAG Introduction to Performance Audit Methodology training program was presented in Canberra, at the ANAO offices.

ACAG hosts the [International Meeting of Performance Audit Critical Thinkers](#) (IMPACT) every two years. In 2018, Margaret Crawford, New South Wales Auditor-General, hosted the conference in Sydney. ANAO representatives that participated in the IMPACT conference were:

- Grant Hehir, the Auditor-General for Australia, who was a panel member addressing the topic 'the performance auditor of the future'; and
- Lisa Rauter, Group Executive Director, Performance Audit Services Group, who presented to a conference breakout session on 'Auditing Innovative Approaches to Policy and Program Design and Delivery'.

The Deputy Auditor-General represented the ANAO at the biannual joint ACAG and Canadian Council of Legislative Auditors (CCOLA) meeting in Toronto. CCOLA is an organisation devoted to sharing information and supporting the continued development of auditing methodology, practices and professional development. The 2018 meeting included a performance audit symposium focused on the theme 'Navigating through Complexity'.

Professional Accounting Bodies and Standard Setting Boards

The ANAO is actively involved in the work of two professional accounting bodies in Australia, CPA Australia and Chartered Accountants Australia and New Zealand. Ms Carla Jago, Group Executive Director Assurance Audit Services Group, is a member of the Chartered Accountants Australia and New Zealand ACT Regional Council and was the Public Sector Representative on the Chartered Accountants Australia and New Zealand Audit Advisory Committee until December 2017. The ANAO has knowledge level status under CPA Australia's Recognised Employer Partner program. The ANAO contributes to the development of accounting and auditing standards through contributing to ACAG responses to exposure drafts for new or amended standards proposed by the AASB, the Auditing and Assurance Standards Board, the Australian Professional and Ethical Standards Board and the International Public Sector Accounting Standards Board.

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 in Appendix 3:

- compliance with financial law;
- assets management;
- purchasing and procurement;
- consultants;
- procurement activities to support small business;
- advertising and market research;
- grant programs;
- environmental protection and biodiversity conservation;
- disability reporting;
- work health and safety reporting;
- freedom of information; and
- service charter.

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Appendix 1: Organisational information

Outcomes and programs framework

Figure A.1.1: Outcome and programs framework

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>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> providing 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 Parliament, the executive and the public to contribute to the improvements in the financial administration of Australian Government entities 	<p>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> reporting 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 Parliament, the executive and the public contributing to improvements in Australian Government administration by identifying and promoting better practice

Executive Board of Management

Table A.1.1: Standing Membership of the Board at 30 June 2018

Board Member	Position
Mr Grant Hehir	Auditor-General, Chair
Ms Rona Mellor PSM	Deputy Auditor-General
Ms Carla Jago	Group Executive Director, Assurance Audit Services Group
Ms Lisa Rauter PSM	Group Executive Director—Practice Management, Performance Audit Services Group
Dr Tom Ioannou	Group Executive Director—Defence and Finance Performance, 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 Jocelyn Ashford	Senior Executive Director, Systems Assurance and Data Analytics Group
Ms Karla McKay	a/g Chief Finance Officer, Corporate Management Branch

Appendix 2: Workforce information

Table A.2.1 Staff coverage under employment instruments, 30 June 2018

Number of employees covered by the ANAO Enterprise Agreement 2016-2019	Number of employees covered by a common law employment contract	Number of employees with an individual flexibility agreement in place
320	27	21

Note: Includes ongoing, non-ongoing and casual staff.

All employees are covered by either the ANAO Enterprise Agreement 2016–2019 or a common law employment contract. Employees covered by the Enterprise Agreement may also have an individual flexibility agreement in operation.

Information in this table covers substantive classification of staff and does not include acting arrangements.

Table A.2.2 Ongoing, non-ongoing and casual staff, by substantive classification and gender, 30 June 2018 and 2017

		Ongoing		Non-ongoing		Casual		Total
		Female	Male	Female	Male	Female	Male	
SES 3	2018	1	-	-	-	-	-	1
	2017	1	-	-	-	-	-	1
SES 2	2018	3	2	-	-	-	-	5
	2017	2	2	-	-	-	-	4
SES 1	2018	11	10	-	-	-	-	21
	2017	8	11	-	-	-	-	19
EL 2	2018	35	31	-	-	-	-	66
	2017	33	28	1	-	-	1	63
EL 1	2018	36	25	1	-	-	-	62
	2017	33	24	1	-	-	-	58
APS 6	2018	32	22	1	1	-	-	56
	2017	33	22	2	-	-	-	57
APS 5	2018	28	25	2	-	-	-	55
	2017	20	17	1	1	-	-	39
APS 4	2018	24	17	1	1	-	-	43
	2017	16	21	1	-	-	-	38
APS 3	2018	5	-	-	1	-	-	6
	2017	5	1	7	1	-	-	14
APS 2	2018	-	1	-	1	-	1	3
	2017	3	1	-	1	-	-	5
APS 1	2018	-	-	-	-	-	2	2
	2017	-	-	-	-	4	5	9
Graduate	2018	18	9	-	-	-	-	27
	2017	16	13	-	-	-	-	29
Total	2018	193	142	5	4	-	3	347
	2017	170	140	13	3	4	6	336

Note: APS = Australian Public Service; EL= Executive Level; SES = Senior Executive Service

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.

Information in this table covers substantive classification of staff and does not include acting arrangements.

Table A.2.3 Ongoing, non-ongoing and casual staff, by attendance type, 30 June 2018 and 2017

Employment type	Attendance type							
	Full-time		Part-time		Casual		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Ongoing	288	261	36	29	-	-	324	290
Non-ongoing	7	14	2	2	-	-	9	16
Casual	-	-	-	-	3	10	3	10
Total	295	275	38	31	3	10	336	316

Note: Includes all operative and 12 paid inoperative staff, excluding 11 inoperative staff that were on leave without pay.
Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

One full time ongoing staff identifies as indigenous.

All ANAO staff are Canberra based.

Remuneration

The ANAO's employment framework supports strategies in developing and building capability, investing in its staff, flexible working arrangements and appropriate remuneration. The ANAO's Enterprise Agreement 2016–19 came into effect on 21 April 2016 and covers the terms and conditions of employment at the ANAO, other than terms and conditions applying under a relevant Commonwealth law or implied at common law. The Agreement provides for a two per cent annual pay increase which is funded from within existing and known future agency budget and revenue streams.

The salary ranges for SES are determined by the ANAO's SES Remuneration Policy (available on the ANAO website) and having regard to public sector benchmarks, such as 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 at Part 3 of this report.

Table A.2.4 Available salary ranges for APS employees by classification at 30 June 2018

Classification	Salary range
EL2	\$118,858 – \$148,339
EL1	\$103,506 – \$116,640
APS6	\$84,337 – \$96,933
APS5	\$76,124 – \$82,951
APS4	\$66,276 – \$72,841
APS3	\$60,966 – \$65,933
APS2	\$56,002 – \$60,965
APS1	\$46,068 – \$56,001
Graduate	\$60,966 – \$72,841

Note: APS = Australian Public Service; EL= Executive Level

Table A.2.5 Performance payments in 2017–18

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	12	\$141,673	\$11,806	\$4,838	\$27,940
EL2	9	\$58,146	\$6,461	\$4,919	\$8,148
EL1	6	\$30,544	\$5,091	\$4,059	\$6,346
APS6	3	\$14,413	\$4,804	\$4,337	\$5,737
APS5	1	\$2,239	\$2,239	\$2,239	\$2,239
APS4	2	\$5,198	\$2,599	\$2,599	\$2,599
APS1-3	0	0	0	0	0
Total	33	\$252,213			

Note: APS = Australian Public Service; EL= Executive Level; SES = Senior Executive Service

Table A.2.6 Summary of performance ratings for the period ending 31 October 2017

Classification broadband	Substantially Exceeds Expectations	Exceeds Expectations	Meeting Expectations	Not Meeting Expectations	Total
ANAO Bands 4 and 5 (EL1 and EL2)	15	39	46	1	101
ANAO Bands 1 to 3 (APS1–6)	6	32	71	1	110
Total	21	71	117	2	211
<i>Proportion of total eligible staff</i>	<i>10%</i>	<i>34%</i>	<i>55%</i>	<i>1%</i>	

Note: APS = Australian Public Service; EL= Executive Level

Non-salary benefits

The ANAO offers staff a number of non-salary benefits which include:

- annual influenza immunisation;
- spectacle reimbursement;
- mentoring and coaching programs;
- in-house capability development programs;
- confidential employee assistance program for employees and their immediate families;
- study assistance to eligible employees;
- access to flexible working arrangements; and
- contributions to relevant professional memberships.

The ANAO provides the Senior Executive Service (SES) staff and where there is a business need some EL and APS staff with a mobile phone, tablet, laptop and/or airline lounge membership. Employees can also make use of a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

Workplace consultative forum

The Workplace Consultative Forum (WCF) is an important part of the ANAO's ongoing commitment to employee engagement. The WCF has 19 members which includes staff, union and management representatives. In 2017–18, the WCF met on four occasions to discuss and consider a range of employment-related issues, including accommodation, enterprise bargaining and the performance and career development program.

Workforce diversity

The ANAO aims to create an organisation that encourages and welcomes diversity. This includes diversity of backgrounds, views, thoughts and approaches. The ANAO's objective is to attract a range of people across varying professions and backgrounds, especially within the executive level roles, to build a successful and sustainable organisation with a culture that enriches its work and impact. Diversity fosters an environment of mutual learning, respect, openness and appreciation to differences and other perspectives. Such a positive culture creates opportunities for a variety of different voices to be encouraged and heard.

The ANAO has Diversity Contact Officers (DCOs) who champion diversity across the ANAO, with a focus on building a positive workplace culture. The DCO cohort provides informal and confidential support to staff that are seeking assistance and guidance on workplace issues, such as harassment and bullying.

The ANAO DCO's host events and supports recognised days to educate and raise awareness among our staff. During 2017–18, sponsored events included:

- R U Ok Day;
- International Women's Day;
- Harmony Day; and
- Mental Health Awareness week.

The 2018–20 Diversity and Inclusion Strategy was developed in consultation with staff and the Diversity Council Australia. The strategy was approved by the Executive and released in February 2018. The strategy provides the ANAO with guidance on ways to successfully embrace diversity by creating an environment that values and uses the contributions of people with different backgrounds, experiences and perspectives. The strategy aims to create a supportive, flexible, and engaging workplace in which our employee's differences are respected and viewed as an organisational asset.

At 30 June 2018, the ANAO has one employee (less than one 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 held a selection of events to commemorate NAIDOC Week in 2017. In keeping with the year's theme of 'Our Languages Matter', the ANAO hosted a workshop for staff to learn elements of the Ngunnawal language, alongside a lecture examining Aboriginal languages more broadly across Australia.

The ANAO Reconciliation Action Plan (RAP) was released in February 2018. The ANAO RAP describes how the ANAO will contribute to reconciliation between Aboriginal and Torres Strait Islander people and non-Indigenous people. It lists a set of practical actions that will be undertaken to:

- build upon cultural awareness within our organisation to create a work place where all people can share experiences in an inclusive environment that is culturally safe and diverse;

- actively promote the involvement of Aboriginal and Torres Strait Islander peoples in our organisation; and
- work in collaboration with Aboriginal and Torres Islander peoples to build respectful relationships that support our vision of becoming an employer of choice for Aboriginal and Torres Strait Islander peoples.

This plan was developed by the RAP Working Group in consultation with Reconciliation Australia, Curiyo Consulting and with input from staff from across the organisation as part of a workshop held at the start of 2017.

Appendix 3: Other management issues

Compliance with financial law

In 2017–18, the ANAO had no significant issues under paragraph 19(1)(e) of the PGPA Act, relating to non-compliance with the finance law.

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 approach to procuring goods and services, including consultancies, is consistent with, and reflects the principles of, the Commonwealth Procurement Rules. These rules are applied to activities through the Auditor-General's Instructions and supporting financial management procedures.

The ANAO's Procurement Plan is published annually and available from the AusTender website: www.tenders.gov.au. The plan is updated when circumstances change.

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 also participates in a number of collaborative procurement arrangements with other agencies, such as the ICT Hardware Panel, led by the Digital Transformation Agency and the Legal Services Multi-Use List, run by the Attorney-General's Department.

All tenders and contractual arrangements undertaken in 2017–18 were carried out in accordance with the *Commonwealth Procurement Rules*.

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*.

Consultants

The ANAO engages consultants as required to undertake 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;
- provide independent advice, information or creative solutions; and
- provide specialised services, including assistance with actuarial calculations, probity services, and legal advice.

The major competitive tendering and contracting activities in 2017–18 were to obtain professional skills to assist with certain financial statement and performance audits and the ANAO accommodation project.

During 2017–18, 32 new consultancy contracts were entered into involving total actual expenditure of \$808,256 million (including GST). In addition, 8 ongoing consultancy contracts were active during 2017–18, involving a total actual expenditure of \$301,238 million.

Table A.3.1: Breakdown of the new consultancy contracts by category

Category	No of contracts	Total amount \$
Architectural services	1	72,754.00
Audit services (Actuarial Services)	12	121,606.72
Business administration services	3	17,937.70
Business intelligence consulting services	11	362,819.70
Education and Training Services	2	106,200.86
Information technology consultation services	3	126,937.00
Grand Total	32	808,255.98

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of ANAO's contracts and consultancies is available on the AusTender website:

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: Statistics on Australian Government Procurement 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.

Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2017–18. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$13,000 (including GST) to market research organisations and media advertising organisations, incurred in the course of audit and assurance reviews, are set out in Table A.3.2.

Table A.3.2: Payments over \$13,000 (including GST) to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations, 2017–18

Organisation	Purpose	Payment (\$)
Orima Research (market research organisation)	2016–17 Parliamentary Survey	\$55,440
Orima Research (market research organisation)	2016–17 Assurance Audit Client Survey	\$52,140
Orima Research (market research organisation)	2016–17 Performance Audit Client Survey	\$63,162
Dentsu Mitchell Media Australia	2017–18 Advertising for recruitment for various positions across the agency	\$21,808

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 Australian Government programs to Parliament.

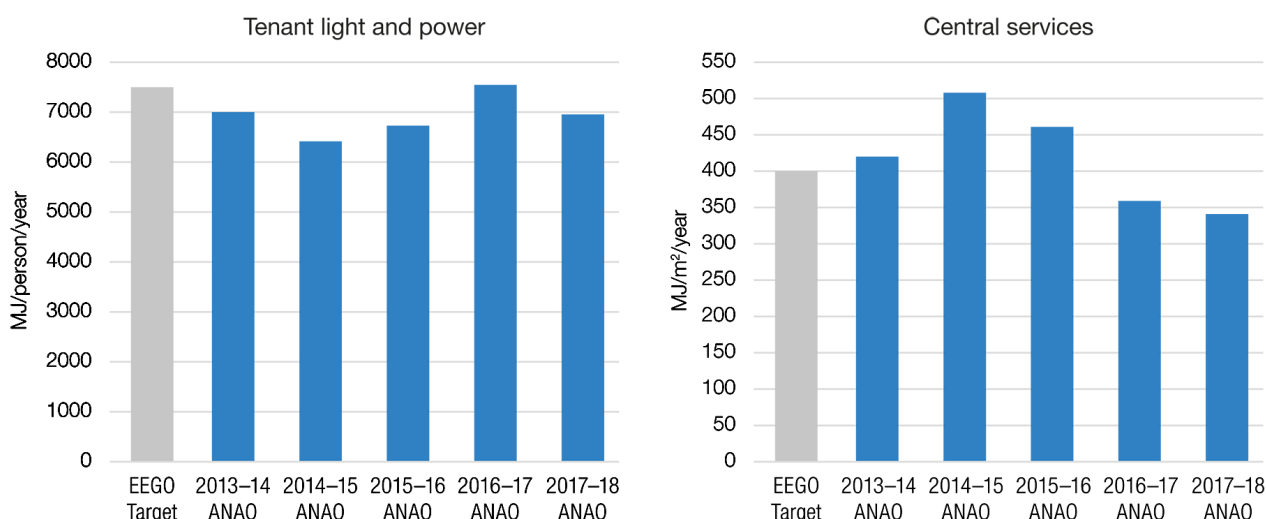
Effect of activities on the environment

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

Energy

The Australian Government's Energy Efficiency in Government Operations (EEGO) policy aims to reduce the energy consumption of Australian Government operations with particular emphasis on building energy efficiency. The EEGO Policy is administered by the Department of the Environment and Energy.

Figure A.3.1 compares the ANAO's tenant light and power use and central services with the EEGO target figures.

Figure A.3.1: Tenant lights, power and central services, 2013–14 to 2017–18

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 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 2017–18, the ANAO's tenant light and power use averaged 6953 megajoules per person, which was below the EEGO target of 7500 megajoules. The ANAO's central services energy usage, for the same period, was 341 megajoules per square metre. This was a decrease of 18 megajoules per square metre compared to the result for 2016–17. This result equates to a four-and-a-half star National Australian Built Environment Rating System¹⁰ (NABERS) energy rating, which is considered 'Good Performance'.

Water and waste

Based on occupied building floor area, the ANAO's building water use intensity was 0.68 kilolitres per square metre in 2017–18 compared with 0.77 kilolitres per square metre in 2016–17.

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

Details of the disposal of ANAO's waste, is provided at Table A.3.3.

Table A.3.3: Waste, quantity and disposal, 2016–17 to 2017–18

Type of waste	Disposal Method	Quantity (tonnes)	
		2017–18	2016–17
Co-mingled recyclable	Recycling	25.245	24.6
General	Landfill	8.791	6.2
Organic	Recycling	1.902	2.3
Paper	Recycling	7.764	10.0

¹⁰ The National Australian Built Environment Ratings System (NABERS) is a performance-based environmental impact rating system for existing buildings.

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 on the Commission's website: www.apsc.gov.au. Since 2010–11, departments and agencies have no longer 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. Further information is available on the Department of Social Services website: www.dss.gov.au.

Work health and safety

Under section 35 of the *Work Health and Safety Act 2011* (WHS Act), the ANAO is required to notify Comcare of any incidents arising out of the conduct of a business or undertaking that result in death, serious injury or serious illness of a person or involve a dangerous incident. No incidents were reported in the 2017–18 period.

Freedom of information

The *Freedom of Information Act 1982* provides the Auditor-General with an exemption from the provisions of the *Freedom of Information Act 1982* and in 2015 the Australian Information Commissioner determined that the Auditor-General's exemption extends to the ANAO.

Performance audits, assurance reviews and audit opinions are tabled in the Parliament and/or published on the ANAO's website. Correspondence with members of Parliament is published on the ANAO's website. Other corporate information is published on the ANAO website including:

- Auditor-General's credit card transactions;
- meetings held with members of Parliament;
- Senior Executive Service remuneration policy and details;
- gifts and benefits received and declined; and
- The ANAO risk management framework.

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, 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 A.4.1: Transparency reporting

Prescribed information	Coverage in the Annual Report 2017–18
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.
Description of the auditor's governance structure	The governance section of Part 4 details the corporate governance framework of the ANAO.
Description of the auditor's internal quality control system	Criterion 19 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	Criterion 19 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
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	The 'External scrutiny' section of Part 4 details the bodies that are authorised to review the work of the ANAO and the external review commenced during the year. Table 2.1 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit (JCPAA).
The names of the bodies for which the auditor conducted an audit in the reporting year	The year-end report to the Parliament on audits of financial statements (Auditor-General Report No.24 2017–18) lists all entities for which financial statement audits were conducted during 2017–18. Information on all audit reports tabled by the Auditor-General in the Parliament during 2017–18 is available on the ANAO website.
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 'probity and independence' section of Part 4 details the ANAO's independence framework for audit professionals.
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 'supporting high performance' section of Part 3 details the ANAO's education framework for audit professionals. Criterion 20 of the Annual Performance Statement details the percentage of audit staff that undertook at least 20 hours of professional development
Financial information for the auditor for the reporting year	The 'Report on financial performance' section of Part 3 provides an overview of the ANAO's financial results. The ANAO's audited financial statements are in Part 3.
Information on the basis for remuneration of the auditor's senior managers	Note 2.3 of the Financial Statements and Appendix 2 details the ANAO's arrangements for performance assessment and performance pay and senior executive remuneration.

Note: The Prescribed Information is based on the items set out in Schedule 7A of the Corporations Regulations 2001.

Appendix 5: Entity resource statement and expenses by outcomes

Entity resource statement

Table A.5.1: Entity resource statement 2017–18

	Actual available appropriations for 2017–18 (\$'000)	Payments made 2017–18 (\$'000)	Balance remaining 2017–18 (\$'000)
Ordinary annual services			
Departmental appropriation ^a	119,976	79,127	40,849
Total ordinary annual services	119,976	79,127	40,849
Special appropriations			
Auditor-General remuneration and expense— <i>Auditor-General Act 1997</i> , Schedule 1, sections 3 and 7	659	659	—
Total special appropriations	659	659	—
Total resourcing and payments	120,635	79,786	40,849

Note a: Appropriation Bill (No. 1) 2017–18, prior year departmental appropriation and section 74 receipts.

Expenses by outcome

Table A.5.2: ANAO's summary of total expenses for Outcome 1, 2017–18

	Budget ^a	Actual expenses	Variation
	2017–18	2017–18	2017–18
	(\$'000)	(\$'000)	(\$'000)
<i>Outcome 1: To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the executive</i>			
Program 1.1: Assurance Audit Services			
Departmental expenses			
Departmental appropriation ^b	45972	37936	8036
Special appropriation	367	330	37
Expenses not requiring appropriation in the budget year	1005	941	64
Total for Program 1.1	47344	39207	8137
Program 1.2: Performance Audit Services			
Departmental expenses			
Departmental appropriation	29964	34993	(5,029)
Special appropriation	367	329	38
Expenses not requiring appropriation in the budget year	884	868	16
Total for Program 1.2	31215	36191	(4,976)
Total for Outcome 1	78559	75398	3163
		2017–18	2016–17
Average staffing level (number)		309	312

Note a: Full year budget, including any subsequent adjustment made to 2017–18 Budget.

Note b: Departmental appropriation combines 'Ordinary annual services (Supply Bill (No. 1) and Appropriation Act (No. 1))' and 'Revenue from independent sources (s74 of the PGPA Act)'.

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

Email: communication@anao.gov.au

Part 6—References

Abbreviations list

AASB	Australian Accounting Standards Board
ACAG	Australasian Council of Auditors-General
AGI's	Auditor-General Instruction's
AGO	Papua New Guinea Auditor-General's Office
ANAO	Australian National Audit Office
APS	Australian Public Service
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
BPK	The Audit Board of Indonesia (Badan Pemeriksa Keuangan)
CCOLA	Canadian Council of Legislative Auditors
CFO	Chief Finance Officer
CFS	Consolidated Financial Statements
CPD	continuous professional development
DCO	Diversity Contact Officer
Defence	Department of Defence
EBOM	Executive Board of Management
EEGO	Energy Efficiency in Government Operations
FOI Act	<i>Freedom of Information Act 1982</i>
Future Ready	Future Ready Change Program
GBE	Government Business Enterprises
GPF	Australia Indonesia Government Partnerships Fund
GST	goods and services tax
ICT	information and communications technology
INTOSAI	International Organization of Supreme Audit Institutions
IMPACT	International Meeting of Performance Audit Critical Thinkers
IPP	Institutional Partnership Program
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
NABERS	National Australian Built Environment Rating System
NAIDOC	National Aborigine and Islanders Day Observation Committee
PASAI	Pacific Association of Supreme Audit Institutions
PBS	Portfolio Budget Statement
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	<i>Public Governance, Performance and Accountability Rule 2014</i>
PSM	Public Service Medal
RAP	Reconciliation Action Plan
SAIs	supreme audit institutions
SES	Senior Executive Service
SGP	Strongim Gavman Program

SME	Small and Medium Enterprises
WCF	Workplace Consultative Forum
WHS	Work health and safety

List of requirements

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

Table A.7.1: List of requirements

PGPA Rule Reference	Part of Report	Description	Requirement
17AD(g)	Letter of transmittal		
17AI	3	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
17AD(h)	Aids to access		
17AJ(a)	5	Table of contents.	Mandatory
17AJ(b)	121	Alphabetical index.	Mandatory
17AJ(c)	115	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	116	List of requirements.	Mandatory
17AJ(e)	4	Details of contact officer.	Mandatory
17AJ(f)	4	Entity's website address.	Mandatory
17AJ(g)	4	Electronic address of report.	Mandatory
17AD(a)	Review by accountable authority		
17AD(a)	7	A review by the accountable authority of the entity.	Mandatory
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	11	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	12	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	12, 100	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	11	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
17AD(c)	Report on the Performance of the entity		
	Annual performance Statements		
17AD(c)(i); 16F	20–43	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AD(c)(ii)	Report on Financial Performance		
17AF(1)(a)	44–46	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	112	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.
17AD(d)	Management and Accountability		
	Corporate Governance		
17AG(2)(a)	3	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	3	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	3	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)	3	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)	81–85	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	106	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
	External Scrutiny		
17AG(3)	79	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)		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)	79	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)	79	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
	Management of Human Resources		
17AG(4)(a)	91–94	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(4)(b)	101	Statistics on the entity's APS employees on an ongoing and non ongoing basis; including the following: <ul style="list-style-type: none"> Statistics on staffing classification level; Statistics on full time employees; Statistics on part time employees; Statistics on gender; Statistics on staff location; Statistics on employees who identify as Indigenous. 	Mandatory
17AG(4)(c)	101	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)	101	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)	101	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	103	A description of non salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	101	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	101	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	101	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	101	Information on aggregate amount of performance payments.	If applicable, Mandatory
Assets Management			
17AG(5)	106	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities	If applicable, mandatory
Purchasing			
17AG(6)	106	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory
Consultants			
17AG(7)(a)	106	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
17AG(7)(b)	106	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)	106	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

PGPA Rule Reference	Part of Report	Description	Requirement
17AG(7)(d)	106	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
Australian National Audit Office Access Clauses			
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
Exempt contracts			
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
Small business			
17AG(10)(a)	107	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)	107	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory
17AG(10)(c)	107	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
Financial Statements			
17AD(e)	47	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)	106	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)	N/A	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	108	A statement that “Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory

PGPA Rule Reference	Part of Report	Description	Requirement
17AH(1)(c)	110	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	110	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)	106	Information required by other legislation	Mandatory

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