

## 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***

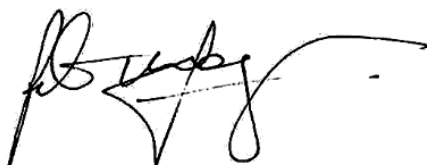
The Auditor-General is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability Act 2013* and for such internal control as 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](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.

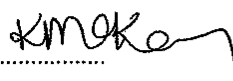
In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian National Audit Office will be able to pay its debts as and when they fall due.



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 Original Budget
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
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	-
<b>Total expenses</b>		<b>75,397</b>	<b>74,708</b>	<b>76,956</b>
<b>OWN-SOURCE INCOME</b>				
Audit services		2,143	2,250	2,000
International development funding		1,740	1,946	1,800
Rendering of other services		195	221	-
<b>Total own-source income</b>	4.2A	<b>4,078</b>	<b>4,417</b>	<b>3,800</b>
<b>Net cost of services</b>		<b>71,319</b>	<b>70,291</b>	<b>73,156</b>
<b>REVENUE FROM GOVERNMENT</b>				
Departmental annual appropriations		70,531	72,143	70,531
Departmental special appropriations		659	709	734
<b>Total Revenue from Government</b>	4.3A	<b>71,190</b>	<b>72,852</b>	<b>71,265</b>
<b>Total Comprehensive Income (Loss)</b>		<b>(129)</b>	<b>2,561</b>	<b>(1,891)</b>

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

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

## 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
<b>ASSETS</b>				
<b>Financial assets</b>				
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
<b>Total financial assets</b>		<b>42,776</b>	<b>41,248</b>	<b>38,858</b>
<b>Non-financial assets</b>				
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
<b>Total non-financial assets</b>		<b>2,774</b>	<b>4,293</b>	<b>4,336</b>
<b>Total assets</b>		<b>45,550</b>	<b>45,541</b>	<b>43,194</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	5.3A	2,441	2,682	1,649
Operating lease incentives		45	243	44
Accrued salaries and other payables		705	949	2,368
<b>Total payables</b>		<b>3,191</b>	<b>3,874</b>	<b>4,061</b>
<b>Provisions</b>				
Employee provisions	2.1B	10,756	10,913	13,739
<b>Total provisions</b>		<b>10,756</b>	<b>10,913</b>	<b>13,739</b>
<b>Total liabilities</b>		<b>13,947</b>	<b>14,787</b>	<b>17,800</b>
<b>Net assets</b>		<b>31,603</b>	<b>30,754</b>	<b>25,394</b>
<b>EQUITY</b>				
Contributed equity		13,705	12,727	13,705
Reserves		564	564	564
Retained surplus		17,334	17,463	11,125
<b>Total equity</b>		<b>31,603</b>	<b>30,754</b>	<b>25,394</b>

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

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

## 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
<b>Opening balance</b>	<b>17,463</b>	<b>14,902</b>	<b>564</b>	<b>564</b>	<b>564</b>	<b>12,727</b>	<b>11,586</b>	<b>12,727</b>	<b>30,754</b>	<b>27,052</b>
<b>Comprehensive income</b>										
Surplus/(Deficit) for the period	(129)	2,561	-	-	-	-	-	-	(129)	2,561
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>(129)</b>	<b>2,561</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(129)</b>	<b>2,561</b>
<b>Transactions with owners</b>										
<b>Contributions by owners</b>										
Equity Injection	3.1A	-	-	-	-	-	150	-	-	150
Departmental capital budget	3.1A	-	-	-	-	-	991	978	978	991
<b>Total transactions with owners</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141</b>	<b>978</b>	<b>978</b>	<b>1,141</b>
<b>Closing balance as at 30 June</b>	<b>17,334</b>	<b>17,463</b>	<b>564</b>	<b>564</b>	<b>564</b>	<b>13,705</b>	<b>12,727</b>	<b>13,705</b>	<b>31,603</b>	<b>30,574</b>

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

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

## 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
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
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	-
<b>Total cash received</b>	<b>82,866</b>	<b>85,569</b>	<b>75,263</b>
<b>Cash used</b>			
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	-
<b>Total cash used</b>	<b>83,214</b>	<b>85,929</b>	<b>75,263</b>
<b>Net cash used by operating activities</b>	<b>(348)</b>	<b>(360)</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of leasehold improvements	77	-	-
Purchase of plant and equipment	69	333	978
Purchase of intangibles	379	685	-
<b>Total cash used</b>	<b>525</b>	<b>1,018</b>	<b>978</b>
<b>Net cash used by investing activities</b>	<b>(525)</b>	<b>(1,018)</b>	<b>(978)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	978	1,141	978
<b>Total cash received</b>	<b>978</b>	<b>1,141</b>	<b>978</b>
<b>Net cash from financing activities</b>	<b>978</b>	<b>1,141</b>	<b>978</b>
<b>Net increase (decrease) in cash held</b>	<b>105</b>	<b>(237)</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	444	681	681
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	<b>549</b>	<b>444</b>	<b>681</b>

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

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

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



## Administered Schedule of Comprehensive Income

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

## Administered Reconciliation Schedule

<b>Australian National Audit Office</b> <b>Administered Reconciliation Schedule</b> <i>as at 30 June 2018</i>		
	2018 \$'000	2017 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>6,244</b>	5,959
Net contribution by services:		
Income	<b>12,298</b>	12,822
Transfers to the Australian Government:		
Transfers to the Official Public Account	<b>(11,560)</b>	(12,537)
<b>Closing assets less liabilities as at 30 June</b>	<b>6,982</b>	6,244
The above schedule should be read in conjunction with the accompanying notes.		
<b>Administered Cash Flow Statement</b> <i>for the period ended 30 June 2018</i>		
	2018 \$'000	2017 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Rendering of audit services	<b>12,597</b>	14,026
<b>Total cash received</b>	<b>12,597</b>	14,026
<b>Cash used</b>		
GST paid	<b>1,151</b>	1,269
<b>Total cash used</b>	<b>1,150</b>	1,269
<b>Net cash flows from operating activities</b>	<b>11,446</b>	12,757
<b>Net increase in cash held</b>	<b>11,446</b>	12,757
Cash and cash equivalents at the beginning of the reporting period	<b>591</b>	371
Cash to Official Public Account for:		
- Appropriations	<b>11,560</b>	12,537
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	<b>477</b>	591
<sup>1</sup> 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 2<sup>nd</sup> 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
<b>Total employee benefits</b>	<b>39,238</b>	<b>39,730</b>

**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
	\$	\$
<b>Short-term employee benefits:</b>		
Salary	2,532,297	2,237,583
Performance bonuses	79,591	44,885
<b>Total short-term employee benefits</b>	<b>2,611,888</b>	<b>2,282,468</b>
<b>Post-employment benefits:</b>		
Superannuation	394,027	379,031
<b>Total post-employment benefits</b>	<b>394,027</b>	<b>379,031</b>
<b>Other long-term benefits:</b>		
Annual leave accrued	188,757	185,720
Long-service leave	60,497	56,817
<b>Total other long-term benefits</b>	<b>249,254</b>	<b>242,537</b>
<b>Total key management personnel remuneration<sup>1</sup></b>	<b>3,255,169</b>	<b>2,904,037</b>

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 <sup>1</sup>	-	1
\$771,921 <sup>1</sup>	1	-
	<b>11</b>	<b>12</b>
<b>The aggregate of the remuneration for key management personnel</b>	<b>\$ 3,255,169</b>	<b>\$ 2,904,037</b>

<sup>1</sup> 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
<b>Total number of executives</b>	<b>37</b>					

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
<b>Total number of executives</b>	<b>34</b>					

**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 <sup>1</sup>	978	991
Receipts retained under <i>PGPA Act - Section 74</i> <sup>2</sup>	8,795	5,416
Equity Injection <sup>3</sup>	-	150
<b>Total Appropriation</b>	<b>80,304</b>	<b>78,700</b>
Appropriations applied (current and prior years)	79,127	76,973
<b>Variance</b>	<b>1,177</b>	<b>1,727</b>

<sup>1</sup> 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.

<sup>2</sup> *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*.

<sup>3</sup> 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
<b>Departmental</b>		
<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	-
<b>Total</b>	<b>40,842</b>	<b>39,672</b>

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

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

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

**Note 3.2: Special Accounts**

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78

Establishing Instrument: *Financial Management and Accountability Determination 2012/06* on 30 May 2012

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

- a) disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth;
- b) disburse amounts in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and
- c) 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
<b>Note 4.1A: Suppliers</b>		
<b>Goods and services</b>		
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
<b>Total goods and services</b>	<b>30,366</b>	<b>28,992</b>
<b>Other suppliers</b>		
Operating lease rentals	3,650	3,629
Workers compensation expenses	334	351
<b>Total other suppliers</b>	<b>3,984</b>	<b>3,980</b>
<b>Total Suppliers</b>	<b>34,350</b>	<b>32,972</b>

#### Accounting policy

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

#### **Leasing Commitments**

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

##### *- Lease for office accommodation*

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

##### *- Lease for data centre facilities*

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



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

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Within 1 year	<b>776</b>	4,241
Between 1 to 5 years	<b>238</b>	977
More than 5 years	-	25
<b>Total operating lease commitments</b>	<b>1,014</b>	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
<b>Goods and services</b>		
Trade receivables	1,514	1,182
GST receivable from the Australian Taxation Office	317	315
Appropriation receivables	40,300	39,228
<b>Total trade and other receivables</b>	<b>42,131</b>	<b>40,725</b>

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**

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

**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
	\$	\$
<b>Fees for services provided</b>		
Financial statement audit services	88,140	87,600
Performance audit services	<u>115,384</u>	<u>109,091</u>
<b>Total</b>	<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.