

Financial Statements

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Independent Auditor's Report

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

Opinion

I have audited the financial statements of the Australian National Audit Office.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Australian National Audit Office as at 30 June 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and Australian Accounting Standards – Reduced Disclosure Requirements including the Australian Accounting Interpretations.

The financial statements comprise:

- the statement of financial position as at 30 June 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes to equity for the year then ended;
- the cash flow statement for the year then ended;
- the administered schedule of comprehensive income for the year then ended;
- the administered schedule of assets and liabilities as at the year then ended;
- the administered reconciliation schedule as at the year then ended;
- the administered cash flow statement for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies; and
- the statement by the Auditor-General and the Chief Financial Officer.

Basis for opinion

I conducted my audit in accordance with *Australian Auditing Standards*. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my report.

I am independent of the Australian National Audit Office in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial statements in Australia. I have 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*;
- implementing necessary internal control to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- assessing the Australian National Audit Office's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend 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 statements

My objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 statements.

A further description of my responsibilities for the audit of the financial statements is located at the *Auditing and Assurance Standards Board* website at:
http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of my Auditor's Report.

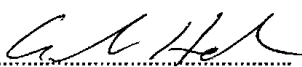


Eileen Hoggett
Independent Auditor

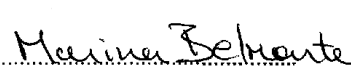
Sydney
5 August 2019

In our opinion, the attached financial statements for the year ended 30 June 2019 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
05 August 2019

Signed.....

Marina Belmonte
Chief Financial Officer
05 August 2019

Australian National Audit Office
Statement of Comprehensive Income
for the year ended 30 June 2019

		2019	2018	2019 Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
EXPENSES				
Employee benefits	2.1A	44,112	39,238	45,291
Suppliers	4.1A	34,028	34,350	28,886
Depreciation and amortisation	5.2A	1,247	1,809	1,048
Write-down and impairment of assets	5.2A	1,640	-	-
Total expenses		81,027	75,397	75,225
OWN-SOURCE INCOME				
Own-source revenue				
Audit Services		2,300	2,143	2,300
International development funding		1,496	1,740	1,800
Rendering of other services		189	195	-
Total own-source revenue	4.2A	3,985	4,078	4,100
Gains				
Property Related Gain	5.2A	1,000	-	-
Total Gains		1,000	-	-
Net cost of services		76,042	71,319	71,125
REVENUE FROM GOVERNMENT				
Departmental annual appropriations		69,329	70,531	69,329
Departmental special appropriations		688	659	748
Total Revenue from Government	4.3A	70,017	71,190	70,077
Total comprehensive income / (loss)		(6,025)	(129)	(1,048)

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

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

Australian National Audit Office
Statement of Financial Position
as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000	2019 Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents	5.1A	591	549	444
Trade and other receivables	5.1B	38,370	42,131	40,563
Work in progress - audit related services	5.1C	121	96	-
Total financial assets		39,082	42,776	41,007
Non-Financial Assets				
Leasehold improvements	5.2A	1,573	290	120
Property and equipment	5.2A	1,215	786	1,154
Intangibles	5.2A	484	888	984
Prepayments		652	810	1,045
Total non-financial assets		3,924	2,774	3,303
Total assets		43,006	45,550	44,310
LIABILITIES				
Payables				
Suppliers	5.3A	3,360	2,441	3,323
Operating lease liabilities		472	45	-
Accrued salaries and other payables		860	705	308
Total payables		4,692	3,191	3,631
Provisions				
Employee provisions	2.1B	11,765	10,756	10,915
Total provisions		11,765	10,756	10,915
Total Liabilities		16,457	13,947	14,546
Net Assets		26,549	31,603	29,764
EQUITY				
Contributed equity		14,676	13,705	14,676
Reserves		564	564	564
Retained surplus		11,309	17,334	14,524
Total Equity		26,549	31,603	29,764

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

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

Australian National Audit Office
Statement of Changes to Equity
for the year ended 30 June 2019

	Notes	Retained surplus		Asset revaluation surplus		Contributed equity/capital		Total equity	
		2019	2018	2019	2018	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 July 2018		17,334	17,463	15,572	564	13,705	12,727	31,603	30,754
Comprehensive income									
Surplus (Deficit) for the period		(6,025)	(129)	(1,048)	-	-	-	(6,025)	(129)
Other comprehensive income		-	-	-	-	-	-	-	-
Total comprehensive income		(6,025)	(129)	(1,048)	-	-	-	(6,025)	(129)
Transactions with owners									
Contributions by owners									
Equity Injection	3.1A	-	-	-	-	-	-	-	-
Departmental capital budget	3.1A	-	-	-	-	971	978	971	978
Total transactions with owners		-	-	-	-	971	978	971	978
Closing balance as at 30 June 2019		11,309	17,334	14,524	564	14,676	13,705	26,549	31,603

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

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

Australian National Audit Office
Cash Flow Statement
for the year ended 30 June 2019

	2019 \$'000	2018 \$'000	2019 Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for operating activities	82,103	76,813	70,120
Rendering of services	5,006	3,896	4,100
Net GST received	2,111	2,157	-
Total cash received	89,220	82,866	74,220
Cash used			
Employees	42,948	39,638	45,291
Suppliers	34,540	36,607	28,929
Receipts transferred to OPA	8,168	6,694	-
GST used	298	275	-
Total cash used	85,954	83,214	74,220
Net cash from operating activities	3,266	(348)	-
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements	3,092	77	-
Purchase of plant and equipment	912	69	434
Purchase of intangibles	192	379	537
Total cash used	4,196	525	971
Net cash used by investing activities	(4,196)	(525)	(971)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	971	978	971
Total cash received	971	978	971
Net cash from financing activities	971	978	971
Net increase in cash held	41	105	-
Cash and cash equivalents at the beginning of the reporting period	549	444	444
Cash and cash equivalents at the end of the reporting period¹	591	549	444

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 for major variances between budgeted and actual amounts.

Australian National Audit Office				
Administered Schedule of Comprehensive Income				
for the period ended 30 June 2019				
		2019	2018	2019
	Notes	\$'000	\$'000	Original Budget \$'000
INCOME				
Non-taxation revenue				
Rendering of audit services		12,390	12,298	12,300
Total income administered on behalf of Government¹		12,390	12,298	12,300
The above schedule should be read in conjunction with the accompanying notes.				
Administered Schedule of Assets and Liabilities				
as at 30 June 2019				
		2019	2018	2019
	Notes	\$'000	\$'000	Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		1,128	477	591
Trade and other receivables - audit related services		4,626	4,729	5,416
Work in progress - audit related services	5.1C	416	2,205	729
Total financial assets		6,170	7,411	6,736
Total assets administered on behalf of Government		6,170	7,411	6,736
LIABILITIES				
Payables				
GST payable		425	429	492
Total payables		425	429	492
Total liabilities administered on behalf of government		425	429	492
Net assets		5,745	6,982	6,244
The above schedule should be read in conjunction with the accompanying notes.				
¹ Please refer to Note 1 for explanations for major variances between budgeted and actual amounts.				

Australian National Audit Office			
Administered Reconciliation Schedule			
as at 30 June 2019			
	Notes	2019 \$'000	2018 \$'000
Opening assets less liabilities as at 1 July 2018		6,982	6,244
Net contribution by services			
Income		12,390	12,298
Transfers to the Australian Government			
Transfers to the Official Public Account		(13,627)	(11,560)
Closing assets less liabilities as at 30 June 2019		5,745	6,982
The above schedule should be read in conjunction with the accompanying notes.			
Administered Cash Flow Statement			
for the period ended 30 June 2019			
	Notes	2019 \$'000	2018 \$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of audit services		15,705	12,597
Total cash received		15,705	12,597
Cash used			
GST paid		1,427	1,151
Total cash used		1,427	1,150
Net cash from operating activities		14,278	11,446
Net increase in cash held		14,278	11,446
Cash and cash equivalents at the beginning of period		477	591
Cash to the Official Public Account for:			
- Appropriations		13,627	11,560
Cash and cash equivalents at the end of the reporting period¹		1,128	477
¹ As shown in the Administered Schedule of Assets and Liabilities			
This schedule should be read in conjunction with the accompanying notes.			

Australian National Audit Office

Overview

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 (FRR)*; 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 overall result 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 current 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 or prior year.

Overview (continued)

New Australian Accounting Standards

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

AASB 16 - Leases applies to the ANAO from 1 July 2019 onwards. AASB 16 introduces new criteria for assessing contracts and identifying leases existing within those contracts. From 1 July 2019, those leases that were previously reported that now meet the criteria specified by AASB 16 will be recorded on the Statement of Financial Position as right-of-use assets recorded at cost, and adjusted for depreciation and or impairment.

Leases of 12 months duration or less and of a low value (\$10,000 or below) will be recorded as expenses.

The implementation of AASB 16 - *Leases* will have ongoing financial impacts on the ANAO's financial statements effective from 2019-20.

Two accounting standards which deal with revenue recognition will apply to the ANAO from 1 July 2019, specifically:

- AASB 15: *Revenue from Contracts with Customers*; and
- AASB 1058: *Income of Not-For-Profit entities*.

The new standards require the ANAO to recognise revenue at an amount that reflects the consideration to which the ANAO expects to be 'entitled' in exchange for transferring goods or services, with recognition of revenue occurring on transfer of control. The transaction price will be linked to 'performance obligations', which determine the revenue available to be recognised when the performance obligations are satisfied.

As the ANAO's revenue recognition process for its existing revenue streams is consistent with the requirements of new standards, there is likely to be minimal impact on the future financial reporting periods of the ANAO.

There is no change in the timing, recognition or measurement of ANAO's revenue from government.

Australian National Audit Office

Events After the Reporting Period

Departmental

The ANAO and the owners of its current leased premises have entered into a licence agreement that varies the terms of its accommodation lease. Under this agreement, the ANAO will continue to occupy the premises at 19 National Circuit for 6 months from 1 July 2019 and thereafter on a month to month basis until it vacates its current premises. The ANAO expects to be occupying new premises in the first half of the 2020 calendar year.

Administered

No events have occurred after reporting date that should be brought to account or noted in the 2018-19 financial statements.

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

Note 1: Budget Variances

Note 1.1A: Explanations of Major 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 2018-19 Portfolio Budget Statements (PBS) and the 2018-19 final outcome as presented in accordance with Australian Accounting Standards for the ANAO. The Budget is not audited. Major variances are reported on the basis of professional judgment and are not focussed merely on numerical differences between the budget and actual amounts

Explanations of major variances	Variance to Budget		Affected line items
	\$'000	%	
Departmental Items			
Supplier expenses were higher than budgeted due to higher than expected travel expenses associated with mandatory audits; increased information technology costs mainly associated with a transition to the cloud environment; and expenses associated with the ANAO's Accommodation project. This was partly offset by a decrease from 2017-18 of engaged contractors because of ANAO's strategic intent to increase full time employees to replace more expensive contractors.	5,142	18%	Statement of Comprehensive Income, Suppliers Expense
The variance to budget reflects the purchase and capitalisation of a number of non-financial assets in 2018-19, particularly computer hardware and software.	199	19%	Statement of Comprehensive Income, Depreciation and amortisation
The variance is primarily due to the impairment of a leasehold improvement asset. Given the inherent nature of this item it is difficult to estimate. As such, an estimate is not usually provided for this item.	1,640	100%	Statement of Comprehensive Income, Write-down and impairment of other assets
International development funding provided by DFAT operates on a reimbursement basis. The revenue received in 2018-19 reflects a lower allocation from DFAT for this item than originally budgeted.	(304)	17%	Statement of Comprehensive Income, International development funding
This item relates to compensation received for property related expenses.	1,000	100%	Statement of Comprehensive Income, Gains
The variance from budget mainly relates to costs incurred for the Accommodation and IT Transformation projects, which were funded from the ANAO's reserves, as planned, to support and transform the new ways of working into the next decade (\$2.434m). This is also impacted by the bond rate adjustment on employee expenses (0.935m). The ANAO's final result was also impacted by the net effect of \$0.596m which is made up of the impairment of leasehold assets at 30 June and offset by compensation received for property related expenses. The remaining component of the loss reflects the transitioning of the ANAO to a new funding base after the impact of Budget savings.	(4,778)	100%	Statement of Comprehensive Income, Total Comprehensive Income / (Loss)

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

The Trade and other receivables balance was lower than budgeted primarily due to movements in both the appropriation receivable and trade receivables balances between 2017-18 and 2018-19.			
There was a reduction in the appropriation receivable balance at the end of 2018-19 as the ANAO accessed its reserves during the financial year to fund its Accommodation and IT Transformation projects, offset by the recognition of higher value of invoices for audit related work than budgeted.	(2,193)	5%	Balance Sheet, Trade and other receivables
This variance relates to expenditure on the ANAO's Accommodation and IT Transformation Projects. Due to the timing of approvals, an estimate for this item had not been included in the original budget. It has however been included in subsequent Portfolio Budget Statements.	1,453	1211%	Balance Sheet, Leasehold improvements
	3,092	100%	Cash Flow Statement, Investing Activities, Purchase of leasehold improvements
The variance to the original budget is due to the purchase of some software costing less than anticipated and the deferral of other investments in software to 2019-20.	(500)	-51%	Balance Sheet, Intangibles
The variance to budget reflects the lower number of prepayments undertaken by the ANAO as at 30 June 2019.	(393)	-38%	Balance Sheet, Prepayments
The variance is attributable to a higher number of accruals for staff transferring to and from the ANAO in 2018-19 compared to 2017-18. In addition, the final pay for 2018-19 occurred on 26 June 2018, requiring the accrual of two working days, compared to the accrual of one working day in the 2017-18 year.	552	179%	Balance Sheet, Accrued salaries and other payables
The variance to budget is primarily due to the movement in the discount bond rate used to value employee provisions.	850	8%	Balance Sheet, Employee provisions
Administered Items			
The variance reflects the timing of receipts into the bank account as at 30 June 2019.	757	204%	Schedule of Assets and Liabilities, Cash and cash equivalents
The variance to budget reflects a lower number of expected billings as at 30 June 2019. This is attributed to invoices being paid before 30 June which is consistent with an increase in revenue from audit services.	(790)	-15%	Schedule of Assets and Liabilities, Trade receivables – audit related services
This variance is attributed to timely invoicing undertaken before 30 June. As a result, invoices were raised prior to 30 June 2019.	(313)	-43%	Schedule of Assets and Liabilities, Work in progress – audit related services
Audit fees are based on a scale determined by the Auditor-General under section 14 of the Auditor-General Act 1997 and are calculated on the basis of a cost attribution model. The fees charged were higher than budgeted as the actual costs incurred for a number of audits was higher than budgeted. It also reflects timing of invoices being paid.	3,070	25%	Cash Flow Statement, Rendering of audit services

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

	2019 \$'000	2018 \$'000
Wages and salaries	32,803	30,551
Superannuation		
Defined contribution plans	3,340	3,200
Defined benefit plans	2,785	2,291
Leave and other entitlements	4,872	2,845
Separation and redundancies	-	59
Other employee expenses	312	292
Total employee benefits	44,112	39,238

Note 2.1B: Employee Provisions

All employee provisions relate to long service leave and annual leave. There was no provision for separations and redundancy either at 30 June 2019 or 30 June 2018.

Accounting Policy

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

Leave:

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

The annual 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 eligible, 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 2019 represents outstanding contributions.

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

Note 2.2: Key Management Personnel

Key management personnel (KMP) 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.

Members of the Executive Board of Management were as follows:

2018–19	Position	Term as KMP
Grant Hehir	Auditor-General	1 July 2018 – 30 June 2019
Rona Mellor	Deputy Auditor-General	1 July 2018 – 30 June 2019
Lisa Rauter	Group Executive Director, Performance Audit Services Group	1 July 2018 – 30 June 2019
Jane Meade	Group Executive Director, Professional Services and Relationship Group	1 July 2018 – 30 June 2019
Carla Jago	Group Executive Director, Assurance Audit Services Group	1 July 2018 – 30 June 2019
Anastasios Ioannou	Group Executive Director, Performance Audit Services Group	1 July 2018 – 30 June 2019
Deborah Rollings	Senior Executive Director, Corporate Management Group	1 July 2018 – 30 June 2019
Bola Oyetunji	Senior Executive Director, Systems Assurance and Data Analytics	4 February 2019 – 30 June 2019
Jocelyn Ashford	Senior Executive Director, Systems Assurance and Data Analytics	1 July 2018 – 1 February 2019
Marina Belmonte	Chief Financial Officer (CFO)	9 August 2018 – 30 June 2019
Karla McKay	Acting Chief Financial Officer (A/g CFO)	1 July 2018 – 8 August 2018

2017–18	Position	Term as KMP
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

The following tables are prepared on an accruals basis.

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

	2019 \$	2018 \$
Note 2.2A: Key Management Personnel Remuneration		
Short-term benefits:		
Base Salary	2,510,864	2,532,297
Bonus	70,903	79,591
Other benefits and allowances ¹	190,776	-
Total short-term benefits	2,772,543	2,611,888
Superannuation	442,810	394,027
Total post-employment benefits	442,810	394,027
Other long-term benefits:		
Annual leave accrued ²	-	188,757
Long-service leave	95,506	60,497
Total other long-term benefits	95,506	249,254
Termination benefits	-	-
Total key management personnel remuneration	3,310,859	3,255,169

¹ This is a new requirement for 2018-19 and was not required to be disclosed separately in the previous financial reporting period. This relates predominately to SES vehicle allowances.

² This item is now included as part of the Base Salary for 2018-19.

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. More detailed information in the relation to KMP is provided in the Annual Report.

Notes:

- a. 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.
- b. Members of the Executive Board of Management, apart from the Auditor-General, are employed in accordance with the *Public Service Act 1999*.

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

Note 2.2B: Key Management Personnel Remuneration Table

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits			Termination Benefits	Total Remuneration
		Base salary	Bonuses	Other benefits and allowances		Superannuation contributions	Long service leave	Other long-term benefits		
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Grant Hehir	Auditor-General	577,421	-	-	92,748	44,017	-	-	-	714,186
Rona Mellor	Deputy Auditor-General	399,444	29,053	-	65,348	13,365	-	-	-	507,210
Lisa Rauter	Group Executive Director, Performance	223,434	12,950	25,917	48,030	10,521	-	-	-	320,852
Jane Meade	Audit Services Group Group Executive									
	Director, Professional Services and Relationship Group	242,362	-	25,917	30,802	6,771	-	-	-	305,852
Carla Jago	Group Executive Director, Assurance									
	Audit Services Group	214,787	-	25,917	45,204	13,058	-	-	-	298,966
Anastasios Ioannou	Group Executive Director, Performance									
	Audit Services Group	211,649	11,620	25,917	43,527	10,101	-	-	-	302,814
Deborah Rollings	Senior Executive Director, Corporate Management Group									
		155,752	10,710	35,921	39,814	(16,860)	-	-	-	225,337
Bola Oyetunji	Senior Executive Director, Systems Assurance and Data Analytics									
		208,790	6,570	25,196	31,416	7,561	-	-	-	279,533
Jocelyn Ashford	Senior Executive Director, Systems Assurance and Data Analytics	127,399	-	25,991	21,868	3,370	-	-	-	178,628
Marina Belmonte	Chief Financial Officer (CFO)	129,494	-	-	20,208	1,917	-	-	-	151,619
Karla McKay	Acting Chief Financial Officer (A/g CFO)	20,332	-	-	3,845	1,685	-	-	-	25,862
Total		2,510,864	70,903	190,776	442,810	95,506	-	-	-	3,310,859

NOTE: Some of the figures are impacted by the duration of service as a KMP. Table 2.2 provides detail of the length of service for officers that were classified as KMP.

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

Note 2.3: Remuneration Paid to Senior Executives

Note 2.3A: Senior Executive Remuneration

2018-19

Remuneration Band	Number of Senior Executives	Short-term benefits			Post-employment benefits		Other long-term benefits		Termination Benefits	Total Remuneration
		Average Base salary	Average Bonuses	Average Other benefits and allowances	Average Superannuation contributions	Average Long service leave	Average Other long-term benefits	Average Termination Benefits	Average total remuneration	
										\$
\$220,000 or less	7	120,500	-	19,873	26,797	(19,854)	-	-	-	147,316
\$220,001 to \$245,000	8	167,197	8,222	24,249	29,958	10,411	-	-	-	240,037
\$245,001 to \$270,000	2	178,344	8,992	24,920	32,337	14,290	-	-	-	258,883
\$270,001 to \$295,000	4	207,774	-	24,959	36,299	18,069	-	-	-	287,101

Notes:

1. This table is prepared on an accrual basis. In 2019, there were 26 fortnightly pays (2018: 26).
2. This table reports the average total remuneration of Senior Executives who received remuneration during the reporting period.
3. The Short-term benefits is comprised of:
 - a) the average Base Salary (including: paid and accrued; paid while on annual leave; paid while on sick leave; higher duties allowance and purchased annual leave)
 - b) the average Bonuses – payable within 12 months; and
 - c) the average of other benefits and allowances (SES vehicle allowance).
4. The Superannuation contributions amount is the average of the ANAO's superannuation contributions, including productivity component, for the reporting period.
5. The Other long-term benefits is the average amount of long service leave accrued and deferred (more than 12 months) for the reporting period. It also includes the average of any salary paid while on long service leave.
6. The 2017-18 comparative table has not been restated.
7. Those ANAO officers that have been classified as Key Management Personnel (as per Note 2.2B) have not been included in this Note disclosure.

Australian National Audit Office
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2017-18

Remuneration Band	Number of Senior Executives	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

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

Note 2.4: Remuneration Paid to Highly Paid Staff

The ANAO identified no other Highly Paid Staff for the reporting period (2018: Nil).

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.

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')

	2019 \$'000	2018 \$'000
Ordinary annual services	69,329	70,531
Capital Budget ¹	971	978
Receipts retained under PGPA Act - Section 74 ²	6,191	8,795
Total appropriation	76,491	80,304
Appropriation applied (current and prior years)	80,367	79,127
Variance	(3,876)	1,177

1. Departmental and Administered Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). 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 section 20 of the *Auditor General Act 1997*.

Amounts appropriated which are designated as 'equity injections' for a year (less any formal reductions) and Departmental Capital Budgets (DCB) are recognised directly in contributed equity in that year.

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

	2019 \$'000	2018 \$'000
Authority		
Departmental¹		
<i>Appropriation Act (No. 1) 2017-18</i>	-	40,692
<i>Appropriation Act (No. 2) 2016-17</i>	150	150
<i>Appropriation Act (No. 1) 2018-19</i>	36,816	
Total departmental	36,966	40,842

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

	Appropriation Applied 2019 \$'000	Appropriation Applied 2018 \$'000
Authority		
<i>Auditor-General Act 1997, Schedule 1, sections 3 and 7 Unlimited amount for the remuneration of the Auditor-General</i>	688	659
Total special appropriations applied	688	659

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

Note 3.2: Special Accounts

The ANAO has a special account called, the *Services for Other Entities and Trust Moneys Special Account*. This account was established under Section 78 of the *Public Governance, Performance and Accountability Act 2013 (PGPA Act)*. The establishing instrument for the ANAO's special account was the: Financial Management and Accountability Determination 2012/06 on 30 May 2012.

For the year ended 30 June 2019 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

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; disburse amounts in connection with services performed on behalf of other governments and bodies that are not non-corporate Commonwealth entities; and
- b) repay amounts where an act or law requires or permits the repayment of an amount received.

Note 3.3: Net Cash Appropriation Arrangements

	2019 \$'000	2018 \$'000
Total comprehensive loss less depreciation/amortisation expenses	(4,778)	1,680
Total comprehensive income less depreciation/amortisation expenses previously funded		
Plus: depreciation/amortisation expenses previously funded through revenue appropriation	<u>1,247</u>	<u>1,809</u>
Total comprehensive loss - as per the Statement of Comprehensive Income	<u>(6,025)</u>	<u>(129)</u>

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 2019.

Note 4.1: Expenses

	2019 \$'000	2018 \$'000
Note 4.1A: Suppliers		
Goods and services		
Consultants and contractors	19,285	21,251
Information and communication technology	6,138	4,082
Travel	1,134	793
Professional development	1,307	909
Professional services	470	896
Staff related expenses	500	631
Recruitment	647	604
Property operating expense	402	480
Other	691	721
Total goods and services supplied	30,574	30,367
Other suppliers		
Operating lease rentals	3,057	3,649
Workers compensation expenses	397	334
Total other suppliers	3,454	3,983
Total Suppliers	34,028	34,350

Note: In 2018-19 payment terms goods and services were 30 days from receipt of a correctly rendered invoice (2018: 30 days).

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 leases:

- Lease for office accommodation

The ANAO has one current accommodation lease in the ACT. The lease commenced on 23 September 2018 for a period of 12 years and is for the ANAO's present accommodation in the ACT. This lease contains two options to extend for a further 5 years and increases in rent will be at a rate of 3.65% per year, commencing on the anniversary of the lease. As part of the lease agreement, the ANAO received a contribution from the landlord to reduce rental payments. These incentives are being recognised progressively over the life of the lease as a reduction in rent expense. The ANAO and the owners of its current leased premises have entered into a licence agreement that varies the terms of its accommodation lease. Under this agreement, the ANAO will continue to occupy the premises at 19 National Circuit for 6 months from 1 July 2019 and thereafter on a month to month basis until it vacates its current premises. The ANAO expects to be occupying new premises in the first half of the 2020 calendar year.

- 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. Rental increases for the facility over the remaining lease are at a rate commensurate with CPI. Following a move to data on the cloud arrangement the offsite facility is no longer required. The ANAO has given the storage facility owner notice of its intention to terminate the agreement.

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

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

	2019 \$'000	2018 \$'000
Within 1 year	2,819	776
Between 1 to 5 years	11,169	238
More than 5 years	17,190	-
Total operating lease commitments	31,178	1,014

Note 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

Note 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.

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 Relationship section.

Note 5.1: Financial Assets

Note 5.1: 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

	2019 \$'000	2018 \$'000
Goods and services		
Trade receivables	1,658	1,514
GST receivable from the Australian Taxation Office	330	317
Appropriation receivables	36,382	40,300
Total trade and other receivables	38,370	42,131

Credit terms for goods and services were within 30 days (2018: 30 days).

Accounting Policy

AASB 9 *Financial Instruments* (AASB 9) applies to the ANAO from 1 July 2018 as it applies to reporting periods beginning on or after 1 January 2018. AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139).

Classification and measurement

The classification and measurement of the ANAO's financial assets under AASB 9 is determined by the ANAO's business model for managing its financial assets and the contractual cash flow characteristics of those assets.

Financial assets

The ANAO's financial assets are comprised of trade receivables and other receivables that are held for the purpose of collecting the contractual cash flows, where these cash flows.

Under AASB 9, all of the ANAO's financial assets will continue to be measured, and carried, at amortised cost. The ANAO's financial assets were also measured at amortised cost under the previous standard, AASB 139.

The ANAO derived no interest income from financial assets in either the current or prior year.

Financial Liabilities

The ANAO's financial liabilities are also measured at amortised cost.

Impairment

AASB 9 requires the ANAO to impair its financial assets by applying the 'expected credit losses' (ECL) model. The ANAO has taken advantage of the practical expedient which allows the use of a Provision Matrix to calculate expected credit losses on trade receivables. The ANAO has assessed the loss allowance for its financial assets at an amount equal to lifetime expected credit losses.

Due to the nature of the ANAO's receivables, a nil loss allowance has been calculated. There is no impairment of the ANAO financial assets for 2018-19.

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 2019

	Leasehold Improvements	Plant & equipment	Intangibles - Computer software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2018				
Gross book value	2,806	2,280	5,184	10,270
Accumulated depreciation and impairment	(2,516)	(1,494)	(4,296)	(8,306)
Total as at 1 July 2018	290	786	888	1,964
Additions - by purchase	3,092	912	192	4,196
Depreciation and amortisation expense	(213)	(442)	(592)	(1,247)
Disposals	-	(41)	(4)	(45)
Impairment	(1,596)	-	-	(1,596)
Total as at 30 June 2019	1,573	1,215	484	3,272
Total as at 30 June 2019 represented by:				
Gross book value	3,639	3,133	5,314	12,086
Accumulated depreciation, amortisation and impairment	(2,066)	(1,918)	(4,830)	(8,814)
Total	1,573	1,215	484	3,272

Accounting Policy - Property, plant and equipment

Asset recognition:

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).

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.

Impairment:

All assets were assessed for impairment at 30 June 2019. Indicators of Impairment were identified for Leasehold Improvements associated with construction related issues at 19 National Circuit. This was partially offset with compensation of \$1.0 million provided by the building owner.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition:

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

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:

	2019	2018
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 is measured at fair value in the Statement of Financial Position. When estimating fair value, market prices (with adjustment) were used, where available. Where market prices were not available, current 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 (2018: 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.

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

Note 6: Other Information

Note 6.1: Aggregate Assets and Liabilities

	2019 \$	2018 \$
Assets expected to be recovered in:		
No more than 12 months	39,628	43,586
More than 12 months	<u>3,378</u>	<u>1,964</u>
Total assets	<u>43,006</u>	<u>45,550</u>
Liabilities expected to be settled in:		
No more than 12 months	8,175	6,681
More than 12 months	<u>8,281</u>	<u>7,266</u>
Total liabilities	<u>16,457</u>	<u>13,947</u>

Note 6.2: Remuneration of Auditors

	2019 \$	2018 \$
Fees for services provided		
Financial statement audit services	90,000	88,140
Performance audit services	<u>40,909</u>	<u>115,384</u>
Total	<u>130,909</u>	<u>203,524</u>

Ms Eileen Hoggett was appointed as Independent Auditor for 5 years from 1 March 2019 under clause 1 of Schedule 2 to the *Auditor-General Act 1997*. Ms Hoggett is appointed in a personal capacity and she performed no other services for the ANAO.