

Financial statements

| | |
|---|----|
| <i>Independent Auditor's Report</i> | 41 |
| <i>Statement by the Auditor-General and the Chief Finance Officer</i> | 43 |
| <i>Statement of Comprehensive Income</i> | 44 |
| <i>Statement of Financial Position</i> | 45 |
| <i>Statement of Changes to Equity</i> | 46 |
| <i>Cash Flow Statement</i> | 47 |
| <i>Administered Schedule of Comprehensive Income</i> | 48 |
| <i>Administered Reconciliation Schedule</i> | 49 |
| <i>Overview</i> | 50 |
| <i>Note 1: Budget Variances</i> | 53 |
| <i>Note 2: People and Relationships</i> | 55 |
| <i>Note 2.1: Employee Benefits and Provisions</i> | 55 |
| <i>Note 2.2: Key Management Personnel</i> | 56 |
| <i>Note 2.3: Remuneration Paid to Senior Executives</i> | 60 |
| <i>Note 2.4: Remuneration Paid to Highly Paid Staff</i> | 62 |
| <i>Note 2.5: Related Party Disclosures</i> | 62 |
| <i>Note 3: Funding</i> | 63 |
| <i>Note 3.1: Appropriations</i> | 63 |
| <i>Note 3.2: Special Accounts</i> | 64 |
| <i>Note 3.3: Net Cash Appropriation Arrangements</i> | 64 |
| <i>Note 4: Financial Performance</i> | 65 |
| <i>Note 4.1: Expenses</i> | 65 |
| <i>Note 4.2: Own-source Income</i> | 66 |
| <i>Note 4.3: Revenue from Government</i> | 66 |
| <i>Note 5: Financial Position</i> | 67 |
| <i>Note 5.1: Financial Assets</i> | 67 |
| <i>Note 5.2: Non-Financial Assets</i> | 68 |
| <i>Note 5.3: Liabilities</i> | 70 |
| <i>Note 5.4: Interest Bearing Liabilities</i> | 70 |
| <i>Note 6: Other Information</i> | 71 |
| <i>Note 6.1: Aggregate Assets and Liabilities</i> | 71 |
| <i>Note 6.2: Remuneration of Auditors</i> | 71 |

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 2020, 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:

- Statement of financial position as at 30 June 2020;
- Statement of comprehensive income for the year then ended;
- Statement of changes to equity for the year then ended;
- Cash flow statement for the year then ended;
- Administered schedule of comprehensive income for the year then ended;
- Administered schedule of assets and liabilities as at the year then ended;
- Administered reconciliation schedule as at the year then ended;
- Administered cash flow statement for the year then ended;
- Notes to the financial statements, which include a summary of significant accounting policies; and
- 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 (including Independence Standards)* (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 give a true and fair view and 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.



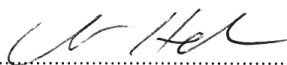
Eileen Hoggett
Independent Auditor

Sydney
7 August 2020

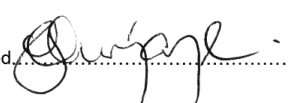
Australian National Audit Office
STATEMENT BY THE AUDITOR-GENERAL AND THE CHIEF FINANCE OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2020 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
07 August 2020

Signed... 

Geraldine Quinane
Chief Financial Officer (Acting)
07 August 2020

Australian National Audit Office
Statement of Comprehensive Income
for the year ended 30 June 2020

| | | | | 2020 Original Budget \$'000 |
|--------------------------------------|-------|-----------------|-----------------|--------------------------------------|
| | Notes | 2020 \$'000 | 2019 \$'000 | |
| NET COST OF SERVICES | | | | |
| EXPENSES | | | | |
| Employee benefits | 2.1A | 44,262 | 44,112 | 45,323 |
| Suppliers | 4.1A | 32,434 | 34,028 | 28,429 |
| Depreciation and amortisation | 5.2A | 2,508 | 1,247 | 2,657 |
| Finance costs | | 250 | - | - |
| Write-down and impairment of assets | 5.2A | 209 | 1,640 | - |
| Total expenses | | 79,663 | 81,027 | 76,409 |
| OWN-SOURCE INCOME | | | | |
| Own-source revenue | | | | |
| Audit Services | | 3,151 | 2,300 | 2,300 |
| International development funding | | 1,487 | 1,496 | 1,800 |
| Rendering of other services | | 241 | 189 | - |
| Total own-source revenue | 4.2A | 4,879 | 3,985 | 4,100 |
| Gains | | | | |
| Property Related Gain | | - | 1,000 | - |
| Total Gains | | - | 1,000 | - |
| Net cost of services | | (74,784) | (76,042) | (72,309) |
| REVENUE FROM GOVERNMENT | | | | |
| Departmental annual appropriations | | 68,540 | 69,329 | 68,890 |
| Departmental special appropriations | | 696 | 688 | 762 |
| Total Revenue from Government | 4.3A | 69,236 | 70,017 | 69,652 |
| Total comprehensive (loss) | | (5,548) | (6,025) | (2,657) |

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

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

Australian National Audit Office
Statement of Financial Position
as at 30 June 2020

| | Notes | 2020 \$'000 | 2019 \$'000 | 2020 Original Budget \$'000 |
|--|-------|----------------|----------------|--------------------------------------|
| ASSETS | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | 5.1A | 629 | 591 | 549 |
| Trade and other receivables | 5.1B | 25,389 | 38,491 | 25,531 |
| Total financial assets | | 26,018 | 39,082 | 26,080 |
| Non-Financial Assets | | | | |
| Leasehold improvements ¹ | 5.2A | 42,724 | 1,573 | 10,348 |
| Plant and equipment | 5.2A | 3,234 | 1,215 | 2,289 |
| Intangibles | 5.2A | 929 | 484 | 638 |
| Prepayments | | 316 | 652 | 809 |
| Total non-financial assets | | 47,203 | 3,924 | 14,084 |
| Total assets | | 73,221 | 43,006 | 40,164 |
| LIABILITIES | | | | |
| Payables | | | | |
| Suppliers | 5.3A | 2,399 | 3,360 | 2,799 |
| Operating lease liabilities (under AASB 117) | | - | 472 | - |
| Accrued salaries and other payables | | 1,207 | 860 | 347 |
| Total payables | | 3,606 | 4,692 | 3,146 |
| Interest bearing liabilities | | | | |
| Leases | 5.4A | 34,640 | - | - |
| Total interest bearing liabilities | | 34,640 | - | - |
| Provisions | | | | |
| Employee provisions | 2.1B | 12,696 | 11,765 | 10,758 |
| Total provisions | | 12,696 | 11,765 | 10,758 |
| Total Liabilities | | 50,942 | 16,457 | 13,904 |
| Net Assets | | 22,279 | 26,549 | 26,260 |
| EQUITY | | | | |
| Contributed equity | | 15,482 | 14,676 | 15,644 |
| Reserves | | 564 | 564 | 564 |
| Retained surplus | | 6,233 | 11,309 | 10,052 |
| Total Equity | | 22,279 | 26,549 | 26,260 |

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

1. Right-of-use assets are included in leasehold improvements.

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

Australian National Audit Office
Statement of Changes to Equity
for the year ended 30 June 2020

| Notes | Retained surplus | | Asset revaluation surplus | | Contributed equity/capital | | Total equity | |
|--|------------------|----------------|---------------------------|------------|----------------------------|---------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Opening balance as at 1 July 2019 | 11,309 | 17,334 | - | 564 | - | 13,705 | - | 31,603 |
| Adjustment on initial application of AASB 16 | 472 | - | - | - | - | - | - | - |
| Adjusted opening balance | 11,781 | 17,334 | - | 564 | - | 13,705 | - | 31,603 |
| Comprehensive income | | | | | | | | |
| (Deficit) for the period | (5,548) | (6,025) | (2,657) | - | - | - | - | (6,025) |
| Other comprehensive income | - | - | - | - | - | - | - | - |
| Total comprehensive income | (5,548) | (6,025) | (2,657) | - | - | - | (5,548) | (6,025) |
| Transactions with owners | | | | | | | | |
| Contributions by owners | - | - | - | - | - | - | - | - |
| Return of appropriations | - | - | - | - | - | - | - | - |
| Departmental capital budget | 3.1A | - | - | - | - | 963 | 968 | 971 |
| Total transactions with owners | - | - | - | - | - | 963 | 968 | 971 |
| Closing balance as at 30 June 2020 | 6,233 | 11,309 | (2,657) | 564 | - | 14,876 | 968 | 26,549 |

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

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

Australian National Audit Office
Cash Flow Statement
for the year ended 30 June 2020

| | 2020 \$'000 | 2019 \$'000 | 2020 Original Budget \$'000 |
|---|-----------------|----------------|--------------------------------------|
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Appropriations for operating activities | 91,334 | 82,103 | 77,522 |
| Rendering of services | 5,834 | 5,006 | 4,100 |
| Net GST received | 3,406 | 1,813 | - |
| Total cash received | 100,574 | 88,922 | 81,622 |
| Cash used | | | |
| Employees | 43,100 | 42,948 | 45,323 |
| Suppliers | 36,814 | 34,540 | 28,429 |
| Receipts transferred to OPA | 9,644 | 8,168 | - |
| Interest payments on lease liabilities | 106 | - | - |
| Total cash used | 89,664 | 85,656 | 73,752 |
| Net cash from operating activities | 10,910 | 3,266 | 7,870 |
| INVESTING ACTIVITIES | | | |
| Cash used | | | |
| Purchase of leasehold improvements | 8,095 | 3,092 | 7,870 |
| Purchase of plant and equipment | 2,730 | 912 | 801 |
| Purchase of intangibles | 933 | 192 | 167 |
| Total cash used | 11,758 | 4,196 | 8,838 |
| Net cash (used by) investing activities | (11,758) | (4,196) | (8,838) |
| FINANCING ACTIVITIES | | | |
| Cash received | | | |
| Contributed equity | 963 | 971 | 968 |
| Total cash received | 963 | 971 | 968 |
| Cash used | | | |
| Principal payments of leases liabilities | 77 | - | - |
| Total cash used | 77 | - | - |
| Net cash from financing activities | 886 | 971 | 968 |
| Net increase in cash held | 38 | 41 | - |
| Cash and cash equivalents at the beginning of the reporting period | 591 | 550 | 549 |
| Cash and cash equivalents at the end of the reporting period¹ | 629 | 591 | 549 |

¹ As shown in the Statement of Financial Position

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

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

Australian National Audit Office

Administered Schedule of Comprehensive Income

for the year ended 30 June 2020

| | Notes | 2020 \$'000 | 2019 \$'000 | 2020 Original Budget \$'000 |
|--|-------|----------------|----------------|--------------------------------------|
| INCOME | | | | |
| Non-taxation revenue | | | | |
| Rendering of audit services | | 14,857 | 12,390 | 12,300 |
| Total income administered on behalf of Government¹ | | 14,857 | 12,390 | 12,300 |

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

Administered Schedule of Assets and Liabilities

as at 30 June 2020

| | Notes | 2020 \$'000 | 2019 \$'000 | 2020 Original Budget \$'000 |
|---|-------|----------------|----------------|--------------------------------------|
| ASSETS | | | | |
| Financial Assets | | | | |
| Cash and cash equivalents | | 154 | 1,128 | 477 |
| Trade and other receivables | 5.1C | 6,112 | 5,042 | 6,934 |
| Total financial assets | | 6,266 | 6,170 | 7,411 |
| Total assets administered on behalf of Government | | 6,266 | 6,170 | 7,411 |
| LIABILITIES | | | | |
| Payables | | | | |
| GST payable | | 437 | 425 | 429 |
| Total payables | | 437 | 425 | 429 |
| Total liabilities administered on behalf of government | | 437 | 425 | 429 |
| Net assets | | 5,829 | 5,745 | 6,982 |

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

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

| Australian National Audit Office | | | |
|---|-------|-----------------|----------------|
| Administered Reconciliation Schedule | | | |
| as at 30 June 2020 | | | |
| | Notes | 2020 \$'000 | 2019 \$'000 |
| Opening assets less liabilities as at 1 July 2019 | | 5,745 | 6,982 |
| Net contribution by services | | | |
| Income | | 14,857 | 12,390 |
| Transfers to the Australian Government | | | |
| Transfers to the Official Public Account | | (14,773) | (13,627) |
| Closing assets less liabilities as at 30 June 2020 | | 5,829 | 5,745 |
| The above schedule should be read in conjunction with the accompanying notes. | | | |
| Administered Cash Flow Statement | | | |
| for the period ended 30 June 2020 | | | |
| | Notes | 2020 \$'000 | 2019 \$'000 |
| OPERATING ACTIVITIES | | | |
| Cash received | | | |
| Rendering of audit services | | 15,179 | 15,705 |
| Total cash received | | 15,179 | 15,705 |
| Cash used | | | |
| GST paid | | 1,380 | 1,427 |
| Total cash used | | 1,380 | 1,427 |
| Net cash from operating activities | | 13,799 | 14,278 |
| Net increase in cash held | | 13,799 | 14,278 |
| Cash and cash equivalents at the beginning of period | | 1,128 | 477 |
| Cash to the Official Public Account for: | | | |
| - Appropriations | | 14,773 | 13,627 |
| Cash and cash equivalents at the end of the reporting period¹ | | 154 | 1,128 |
| 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

Objectives of the Entity

The ANAO's purpose is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance. The Auditor-General is an independent officer of the Australian Parliament whose mandate and functions are set out in the Auditor-General Act 1997 (the Act). The Auditor-General is assisted by the ANAO in delivering against this mandate.

The ANAO is an Australian Government controlled and not-for-profit entity.

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.

COVID-19 Impacts

Given the impact of COVID-19 on the Australian economy and Commonwealth government activities in particular, ANAO Executive Board of Management have reviewed their financial position to consider possible events or conditions that would impact adversely the ANAO's ability to continue as a going concern. ANAO Executive Board of Management have determined that there are no such events or conditions, and COVID-19 has not had any material impact on the ANAO's financial position or performance. ANAO Executive Board of Management acknowledge that the environment in which it operates remains fluid and it will monitor and respond to changing events and conditions as they emerge.

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 twelve months.

Australian National Audit Office

Overview (continued)

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.

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.

The ANAO first applied the requirements of AASB 16 *Leases*, AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-For-Profit entities* from 1 July 2019. Further details of the new requirements and their impact on the ANAO's financial statements has been outlined below.

Application of AASB 16 *Leases*

The ANAO has adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated, that is, it is presented as previously reported under AASB 117 and related interpretations.

AASB 16 introduces a single lessee accounting model, requiring the recognition of a right-of-use asset and lease liabilities for all leases, unless their duration is shorter than 12 months or the leased assets are of a low value (\$10,000 or less).

AASB 16 provides a number of optional expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117. The ANAO applied the following expedients in preparation of the 2019-20 financial statements:

- The ANAO applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining on date of initial application. As a result of applying this expedient the ANAO was not required to recognise any right-of-use assets and liabilities for existing leases at 1 July as they were set to expire within 12 months from initial application. This has resulted in the remaining lease payments under existing leases being recognised on a straight-line basis as short-term lease expenses within the financial statements.
- The ANAO elected to apply the practical expedient not to reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under AASB 117 were not reassessed. The definition of a lease under AASB 16 was applied only to contracts entered into or changed on or after 1 July 2019.
- The ANAO used hindsight when assessing the remaining lease term for the National Circuit lease on transition.

Australian National Audit Office

Overview (continued)

Within the 2018-19 financial statements the ANAO disclosed commitments for future lease payments of \$31.2m relating to a lease for office accommodation at 19 National Circuit in the ACT. During 2019-20 the ANAO and the owners of the leased premises entered into a licence agreement that varied the terms of the accommodation lease. Under the agreement, the ANAO continued to occupy the premises for 6 months from 1 July 2019 and thereafter on a month by month basis until vacating the premises. This lease ceased in December 2019 and the ANAO relocated to new office accommodation in the ACT. To account for the 19 National Circuit lease in accordance with AASB 16, lease liability balances existing at 30 June 2019 have been recognised as an adjustment to opening equity in the 2019-20 financial year.

Application of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-For-Profit entities

Under the new requirements the ANAO must determine whether an enforceable agreement exists and whether the promises to transfer goods or services to the customer are sufficiently specific. If this criteria is met the ANAO recognises revenue as the performance obligations are satisfied in accordance with AASB 15. If the promises to transfer goods or services are not sufficiently specific the ANAO recognises revenue when it can demonstrate control of the asset in accordance with AASB 1058.

The application of these new requirements had no impact on the timing, recognition or measurement of ANAO's revenue. In accordance with AASB 15 the ANAO has reclassified amounts previously disclosed as work-in-progress to contract assets within the Trade and other receivables category.

Events After the Reporting Period

Departmental

No events have occurred after the reporting date that should be brought to account or noted in the 2019-20 financial statements.

Administered

No events have occurred after the reporting date that should be brought to account or noted in the 2019-20 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 2019-20 Portfolio Budget Statements (PBS) and the 2019-20 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 | | | |
| This variance relates to additional supplier costs due to increased effort in auditing especially in relation to valuation requirements and the cost of auditing the implementation of new accounting standards (e.g. AASB 15 <i>Revenue</i> and AASB 16 <i>Leases</i>). There were also new entities subject to audit by the ANAO, the largest being Snowy Hydro Ltd. Whilst COVID-19 saw some travel and training savings, this was partly offset by additional IT costs to support remote working arrangements. In addition, continued investment in the ANAO's IT applications and infrastructure is required in order to enable the ANAO to classify, analyse, interrogate and store audit information, and continue to deliver quality audit products. | 4,005 | 14% | Statement of Comprehensive Income, <i>Suppliers</i> |
| Finance costs relating to the ANAO's leases as a result of the implementation of the new accounting standard AASB 16 <i>Leases</i> . | 8,385 | 29% | Statement of Cashflow, <i>Suppliers</i> |
| Appropriation Revenue was reduced as a result of an efficiency dividend delivered prior to the legislation of the Appropriation Acts for 2019-20, but after publication of the Portfolio Budget Statements. This additional efficiency dividend contributed to the ANAO delivering less performance audits than originally planned during 2019-20. | 250 | N/A | Statement of Comprehensive Income, <i>Finance Costs</i> |
| Audit services income relates to fees charged for audits by arrangement under Section 20 of the <i>Auditor-General Act 1997</i> . Income from this source is subject to volatility based on volume and scope of requests each year. | (350) | -1% | Statement of Comprehensive Income, <i>Revenue from Government</i> |
| The ANAO continues to incur comprehensive income losses due to ongoing structural issues with its appropriation funding. The ANAO continuously searches for and implements efficiencies in order to deliver a balanced budget, however those efficiencies are not keeping pace with appropriation reductions. The ANAO will continue to deliver its mandatory assurance audit program, however this will require a reduction to the number of performance audits delivered year on year. | 779 | 19% | Statement of Comprehensive Income, <i>Own Source Revenue</i> |
| | (2,891) | 209% | Statement of Comprehensive Income, <i>Total Comprehensive (Loss)</i> |
| | (3,819) | -38% | Statement of Financial Position, <i>Retained Surplus</i> |

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

| | | | |
|---|--------|------|---|
| The ANAO entered into a 15 year lease at its new premises in Forrest and undertook a refurbishment of those premises before commencing the tenancy in December 2019. Leases are now reported as part of leasehold improvements with a corresponding lease liability on implementation of the new accounting standard AASB 16 <i>Leases</i> . The ANAO invested in a range of plant and equipment assets as part of the fit out of its new premises, as well as investing in a range of technology applications as part of its IT Transformation program in 2019-20. | 32,376 | 313% | Statement of Financial Position, <i>Leasehold Improvements</i> |
| | 34,640 | N/A | Statement of Financial Position, <i>Leases</i> |
| | 945 | 41% | Statement of Financial Position, <i>Plant and equipment</i> |
| | 291 | 46% | Statement of Financial Position, <i>Intangibles</i> |
| Salary accrual for 2019-20 was higher than budget due to timing with pay periods compared with budget, and monies payable to other Government entities for staff transfers. | 860 | 248% | Statement of Financial Position, <i>Accrued Salaries & other payables</i> |
| Employee provisions increased due to material changes to the bond rates and adjustments to the discount rate and probability factors delivered through an assessment of the Australian Government Actuary. | 1,938 | 18% | Statement of Financial Position, <i>Employee Provisions</i> |
| Interest expenses relating to the ANAO's leases as a result of the implementation of the new accounting standard AASB 16 <i>Leases</i> . | 106 | N/A | Statement of Cashflow, <i>Interest Payments on Lease Liabilities</i> |
| Investment in non-financial assets relating to the ANAO's refurbishment and fit-out at its new premises during 2019-20. | 2,920 | 33% | Statement of Cashflow, <i>Investing Activities</i> |
| Administered Items | | | |
| The variance to budget primarily relates to additional audit costs due to increased complexity in auditing especially in relation to valuation requirements and the cost of auditing the implementation of new accounting standards (e.g. AASB 15 <i>Revenue</i> and AASB 16 <i>Leases</i>). There were also new entities subject to audit by the ANAO, the largest being Snowy Hydro Ltd. | 2,557 | 21% | Schedule of Comprehensive Income, <i>Rendering of Audit Services</i> |

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

| | 2020 \$'000 | 2019 \$'000 |
|-------------------------------------|----------------|----------------|
| Note 2.1A: Employee Benefits | | |
| Wages and salaries | 33,255 | 32,803 |
| Superannuation | | |
| Defined contribution plans | 3,690 | 3,340 |
| Defined benefit plans | 2,531 | 2,785 |
| Leave entitlements | 4,331 | 4,872 |
| Separation and redundancies | 106 | - |
| Other employee expenses | 349 | 312 |
| Total employee benefits | 44,262 | 44,112 |

Note 2.1B: Employee Provisions

All employee provisions relate to long service leave and annual leave.

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)* and has been determined by reference to work of an actuary as at 30 June 2020. 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 2020 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:

| Officer | Position | Term as KMP – 2019-20 | Term as KMP – 2018-19 |
|--------------------|---|--|-----------------------------------|
| Grant Hehir | Auditor-General | Full Year | Full Year |
| Rona Mellor | Deputy Auditor-General | Full Year | Full Year |
| Lisa Rauter | Group Executive Director, Performance Audit Services Group | Full Year | Full Year |
| Jane Meade | Group Executive Director, Professional Services and Relationships Group | Full Year | Full Year |
| Carla Jago | Group Executive Director, Assurance Audit Services Group | Full Year | Full Year |
| Anastasios Ioannou | Group Executive Director, Performance Audit Services Group | Full Year | Full Year |
| Deborah Rollings | Senior Executive Director, Corporate Management Group | Full Year | Full Year |
| Bola Oyetunji | Senior Executive Director, Systems Assurance and Data Analytics Group | Full Year | Part Year from 4 February 2019 |
| Andrew Pope | Group Executive Director, Professional Services and Relationships Group | Part Year from 1 August 2019 to 27 April 2020 | |
| Marina Belmonte | Chief Finance Officer | Part Year to 19 February 2020 | Part Year from 9 August 2018 |
| Geraldine Quinane | Chief Finance Officer (Acting) | Part Year from 11 May 2020 | |
| Karla McKay | Chief Finance Officer (Acting) | | Part Year to 8 August 2018 |
| Jocelyn Ashford | Senior Executive Director, Systems Assurance and Data Analytics Group | | Part Year to 1 February 2019 |

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

The following tables are prepared on an accruals basis.

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Note 2.2A: Key Management Personnel Remuneration | | |
| Short-term benefits: | | |
| Base Salary | 2,748,968 | 2,591,886 |
| Bonus | 45,769 | 64,333 |
| Other benefits and allowances | 189,365 | 168,775 |
| Total short-term benefits | 2,984,101 | 2,824,994 |
| Superannuation | 463,773 | 421,554 |
| Total post-employment benefits | 463,773 | 421,554 |
| Other long-term benefits: | | |
| Long-service leave | 110,036 | 77,280 |
| Total other long-term benefits | 110,036 | 77,280 |
| Termination benefits | - | - |
| Total key management personnel remuneration¹ | 3,557,910 | 3,323,828 |

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 and paid from Special Appropriation – Salary of the Auditor-General.

1. The 2018-19 Key Management Personnel Remuneration has been restated to correct an error in the calculation of base salary and leave in accordance with RMG 138 – *Executive Remuneration Reporting* and to ensure consistency with the current year.

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 greater than four weeks 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: 2019-20 Key Management Personnel Remuneration Table

| Name | Position title | Short-term benefits | | | Post-employment 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 | 663,368 | - | - | 94,604 | 21,618 | - | - | 779,590 |
| Rona Mellor | Deputy Auditor-General | 392,839 | - | - | 68,098 | 27,017 | - | - | 487,955 |
| Lisa Rauter | Group Executive Director, Performance Audit Services Group | 271,215 | 21,134 | 25,917 | 48,990 | 14,401 | - | - | 381,657 |
| Anastasios Ioannou | Group Executive Director, Performance Audit Services Group | 224,029 | - | 25,917 | 44,878 | 10,044 | - | - | 304,868 |
| Carla Jago | Group Executive Director, Assurance Audit Services Group | 257,132 | - | 25,917 | 46,884 | 14,661 | - | - | 344,593 |
| Jane Meade | Group Executive Director, Professional Services and Relationship Group | 243,587 | 7,469 | 25,917 | 38,080 | 2,272 | - | - | 317,324 |
| Andrew Pope | Group Executive Director, Professional Services and Relationship Group | 156,395 | - | 20,905 | 32,534 | 4,359 | - | - | 214,192 |
| Bola Oyetunji | Senior Executive Director, Systems Assurance and Data Analytics Group | 218,934 | 6,242 | 39,872 | 32,044 | 3,241 | - | - | 300,333 |
| Deborah Rollings | Senior Executive Director, Corporate Management Group | 210,399 | 10,924 | 24,920 | 40,610 | 7,184 | - | - | 294,037 |
| Marina Belmonte | Chief Finance Officer | 94,473 | - | - | 14,937 | 1,969 | - | - | 111,379 |
| Geraldine Quinane | Chief Finance Officer (Acting) | 16,597 | - | - | 2,114 | 3,271 | - | - | 21,982 |
| Total | | 2,748,968 | 45,769 | 189,365 | 463,773 | 110,036 | - | - | 3,557,910 |

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 2.2C: 2018-19 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 | 637,595 | - | - | 92,748 | 15,081 | - | - | - | 745,424 |
| Rona Mellor | Deputy Auditor-General | 448,092 | 29,053 | - | 65,348 | 12,527 | - | - | - | 555,021 |
| Lisa Rauter | Group Executive Director, Performance Audit Services Group | 252,757 | 12,950 | 25,917 | 48,030 | 9,864 | - | - | - | 349,518 |
| Anastasios Ioannou | Group Executive Director, Performance Audit Services Group | 233,631 | 11,620 | 25,917 | 43,527 | 10,101 | - | - | - | 324,796 |
| Carla Jago | Group Executive Director, Assurance Audit Services Group | 239,423 | - | 25,917 | 45,204 | 12,445 | - | - | - | 322,988 |
| Jane Meade | Group Executive Director, Professional Services and Relationship Group | 248,704 | - | 25,917 | 30,802 | 6,336 | - | - | - | 311,758 |
| Bola Oyetunji | Senior Executive Director, Systems Assurance and Data Analytics | 78,971 | - | 15,336 | 12,083 | 2,295 | - | - | - | 108,684 |
| Deborah Rollings | Senior Executive Director, Corporate Management Group | 181,832 | 10,710 | 24,920 | 39,814 | 3,119 | - | - | - | 260,395 |
| Jocelyn Ashford | Senior Executive Director, Systems Assurance and Data Analytics | 122,388 | - | 24,852 | 21,868 | 3,370 | - | - | - | 172,478 |
| Marina Belmonte | Chief Finance Officer | 134,211 | - | - | 20,208 | 1,917 | - | - | - | 156,336 |
| Karla McKay | Chief Finance Officer (Acting) | 14,282 | - | - | 1,922 | 226 | - | - | - | 16,430 |
| Total ¹ | | 2,591,886 | 64,333 | 168,775 | 421,554 | 77,280 | - | - | - | 3,323,828 |

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.

1. The 2018-19 Key Management Personnel Remuneration has been restated to correct an error in the calculation of base salary and leave in accordance with RMG 138 – *Executive Remuneration Reporting* and to ensure consistency with the current year.

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

2019-20

| 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 | Superannuation contributions | Average Long service leave | Average Other long-term benefits | Average Termination Benefits | Average total remuneration | |
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| \$225,000 or less | 8 | 135,764 | 689 | 17,042 | 24,575 | 5,077 | - | - | 183,148 | |
| \$225,001 to \$250,000 | 8 | 171,672 | 3,814 | 24,460 | 31,998 | 8,341 | - | - | 240,284 | |
| \$250,001 to \$275,000 | 1 | 179,329 | 8,557 | 24,920 | 31,785 | 7,362 | - | - | 251,953 | |
| \$275,001 to \$300,000 | 3 | 186,412 | 9,626 | 40,528 | 36,706 | 13,341 | - | - | 286,613 | |
| \$300,001 to \$325,000 | 1 | 223,843 | 10,391 | 24,920 | 38,924 | 10,204 | - | - | 308,283 | |

Notes:

1. This table is prepared on an accrual basis.
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. 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
Notes to and forming part of the financial statements

2018-19¹

| Remuneration Band | Number of Senior Executives | Average Reportable Salary \$ | Average Bonus Paid \$ | 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 | 11 | 88,390 | - | 13,554 | 15,404 | 2,562 | - | - | 119,911 |
| \$220,001 to \$245,000 | 6 | 165,539 | 1,371 | 25,238 | 29,816 | 5,733 | - | - | 227,697 |
| \$245,001 to \$270,000 | 4 | 174,996 | 4,431 | 37,353 | 33,306 | 11,368 | - | - | 261,453 |
| \$270,001 to \$295,000 | 3 | 186,264 | 7,031 | 48,194 | 34,101 | 6,770 | - | - | 282,360 |

1. The 2018-19 Senior Executive Remuneration has been restated to correct an error in the calculation of base salary and leave in accordance with RMG 138 – *Executive Remuneration Reporting* and to ensure consistency with the current year.

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 (2019: 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.

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')

| | 2020 \$'000 | 2019 \$'000 |
|--|-----------------|----------------|
| Ordinary annual services | 68,540 | 69,329 |
| Capital Budget ¹ | 963 | 971 |
| Receipts retained under PGPA Act - Section 74 ² | 9,239 | 6,191 |
| Total appropriation | 78,742 | 76,491 |
| Appropriation applied (current and prior years) | 91,153 | 80,367 |
| Variance³ | (12,411) | (3,876) |

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. This amount includes fees charged on a cost recovery basis to conduct audits by arrangement under section 20 of the *Auditor General Act 1997*.

3. The ANAO recently undertook a refurbishment at its new premises during 2019-20, as well as planned upgrades to its IT infrastructure and technology applications. The ANAO accessed its prior year unspent appropriation reserves to fund these investments.

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')

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Authority | | |
| Departmental¹ | | |
| <i>Appropriation Act (No. 2) 2016-17</i> | - | 150 |
| <i>Appropriation Act (No. 1) 2018-19</i> | - | 36,816 |
| <i>Appropriation Act (No. 1) 2019-20</i> | 24,400 | - |
| Total departmental | 24,400 | 36,966 |

1. An Equity Injection was appropriated and quarantined for a specific purpose under Appropriation Act (No.2) 2016-17. This Appropriation was unspent and lapsed at 1 July 2019.

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

| | Appropriation Applied 2020 \$'000 | Appropriation Applied 2019 \$'000 |
|--|--|--|
| Authority | | |
| <i>Auditor-General Act 1997, Schedule 1, sections 3 and 7 Unlimited amount for the remuneration of the Auditor-General</i> | 696 | 688 |
| Total special appropriations applied | 696 | 688 |

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 2020 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

| | 2020 | 2019 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Total comprehensive loss less depreciation/amortisation expenses | (3,117) | (4,778) |
| Total comprehensive income less depreciation/amortisation expenses previously funded | | |
| Plus: depreciation/amortisation expenses previously funded through revenue appropriation | 1,295 | 1,247 |
| Plus: depreciation right-of-use assets | 1,213 | - |
| Less: principal repayments - leased liabilities | 77 | - |
| Total comprehensive loss - as per the Statement of Comprehensive Income | (5,548) | (6,025) |

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 2020.

Note 4.1: Expenses

| | 2020 | 2019 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Note 4.1A: Suppliers | | |
| Goods and services | | |
| Consultants and contractors | 21,262 | 19,285 |
| Information and communication technology | 6,147 | 6,138 |
| Travel | 529 | 1,134 |
| Professional development | 849 | 1,307 |
| Professional services | 462 | 470 |
| Staff related expenses | 621 | 500 |
| Recruitment | 261 | 647 |
| Property operating expense | 338 | 402 |
| Other | 450 | 691 |
| Total goods and services supplied | 30,919 | 30,574 |
| Other suppliers | | |
| Operating lease rentals ¹ | - | 3,057 |
| Short-term leases | 1,062 | - |
| Low value leases | 37 | - |
| Workers compensation expenses | 416 | 397 |
| Total other suppliers | 1,515 | 3,454 |
| Total Suppliers | 32,434 | 34,028 |

Accounting Policy

The ANAO has elected not to recognise right-of-use assets and lease liabilities for leases where the lease term is shorter than 12 months or the leased asset is of a low value (less than \$10,000). The ANAO recognises lease payments associated with these leases evenly over the lease term.

1. Operating lease rental payments relate to the 19 National Cct lease. Refer to Note 1 for accounting policy.

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

Note 4.2: Own-source income

Note 4.2A: Accounting Policy

Revenue from rendering of services is recognised when the performance obligations required under enforceable agreements are satisfied. This can result in revenue being recognised over the term of the contract or at a point in time, subject to the specific terms and conditions of the agreement.

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 5.1A: 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

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Goods and services | | |
| Trade receivables | 839 | 1,658 |
| Contract assets | 479 | 121 |
| GST receivable from the Australian Taxation Office | 300 | 330 |
| Appropriation receivables | 23,771 | 36,382 |
| Total trade and other receivables | 25,389 | 38,491 |

| | 2020 \$'000 | 2019 \$'000 |
|--|----------------|----------------|
| Note 5.1C: Trade and Other Receivables - Administered | | |
| Trade receivables | 4,812 | 4,626 |
| Contract assets | 1,300 | 416 |
| Total trade and other receivables | 6,112 | 5,042 |

Credit terms for goods and services were within 30 days (2019: 30 days).

Accounting Policy

Financial assets

Financial assets are comprised of trade receivables and other receivables that are held for the purpose of collecting the contractual cash flows and are measured at amortised cost.

Financial Liabilities

Financial liabilities are measured at amortised cost.

Impairment

The ANAO recognises a loss allowance and impairment expense at an amount equal to lifetime expected credit losses.

As the ANAO's receivables relate to outstanding debts with other Commonwealth entities, and no impairment has been recognised for 2019-20 (or 2018-19).

Contract assets

Contract assets relate to costs incurred on audit engagements less interim billings. Contract assets are valued at an amount that is expected to be recovered. Previously these amounts had been disclosed as work-in-progress within the financial statements.

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 2020

| | Leasehold Improvements | Plant & equipment | Intangibles - Computer software | Total |
|---|---------------------------|----------------------|---------------------------------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| As at 1 July 2019 | | | | |
| Gross book value | 3,639 | 3,133 | 5,314 | 12,086 |
| Accumulated depreciation and impairment | (2,066) | (1,918) | (4,830) | (8,814) |
| Total as at 1 July 2019 | 1,573 | 1,215 | 484 | 3,272 |
| | | | | - |
| Additions - by purchase | 8,095 | 2,730 | 933 | 11,758 |
| Additions - right-of-use assets | 34,574 | - | - | 34,574 |
| Depreciation and amortisation expense | (305) | (502) | (488) | (1,295) |
| Depreciation on right-of-use assets | (1,213) | - | - | (1,213) |
| Write down and impairment of assets | - | (209) | - | (209) |
| Total as at 30 June 2020 | 42,724 | 3,234 | 929 | 46,887 |
| Total as at 30 June 2020 represented by: | | | | |
| Gross book value | 44,242 | 3,849 | 5,031 | 53,122 |
| Accumulated depreciation, amortisation and impairment | (1,518) | (615) | (4,102) | (6,235) |
| Total | 42,724 | 3,234 | 929 | 46,887 |
| Carrying amount of right-of-use assets | 33,361 | - | - | 33,361 |

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).

Lease Right of Use (ROU) Assets:

Leased ROU assets are capitalised at the commencement date of the lease and comprise the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright, but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Revaluations:

Following initial recognition at cost, leasehold improvements and plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from 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.

Following initial recognition ROU assets continue to be carried at cost and are not subject to revaluation.

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

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

Fair Value:

With the exception of ROU assets which continue to be recognised at cost, all other 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.

Impairment:

All assets were assessed for impairment at 30 June 2020, and no impairment was identified.

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.

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.

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:

| | 2020 | 2019 |
|------------------------|-----------------------|----------------|
| Leasehold improvements | Lease term | Lease term |
| Right-of-use assets | 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 |

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

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

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 (2019: 3 to 5 years).

Impairment:

All intangible assets were assessed for impairment at 30 June 2020. Where indications of impairment exist, intangibles are measured at their recoverable amount, if that amount is lower than the assets current carrying amount.

Note 5.3: Liabilities

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------------|----------------|----------------|
| Note 5.3A: Suppliers | | |
| Trade creditors and accruals | 2,399 | 3,360 |
| Total supplier payables | 2,399 | 3,360 |

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 20 days. As at 14 April 2020 payment terms were changed to 7 days from receipt of a correctly rendered invoice to facilitate cash flow for suppliers in response to the COVID-19 pandemic.

Note 5.4: Interest Bearing Liabilities

| | 2020 \$'000 | 2019 \$'000 |
|--------------------------|----------------|----------------|
| Note 5.4A: Leases | | |
| Lease liabilities | | |
| Leasehold improvements | 34,640 | - |
| Total leases | 34,640 | - |

Accounting Policy

Lease Liabilities are recognised at lease commencement equal to the present value of the lease payments not paid at that date, discounted using the interest rate implicit in the lease. If the rate implicit in the lease cannot be readily determined, the ANAO discounts the liability using Zero Coupon Bond Yields, consistent with Department of Finance guidance.

Lease Liabilities are subsequently adjusted to reflect interest on the liability and to account for lease payments made. Lease liabilities are also remeasured where there has been a change in the lease term or lease payments.

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

Note 6: Other Information

Note 6.1: Aggregate Assets and Liabilities

| | 2020 \$'000 | 2019 \$'000 |
|---|----------------|----------------|
| Assets expected to be recovered in: | | |
| No more than 12 months | 26,340 | 39,628 |
| More than 12 months | 46,881 | 3,378 |
| Total assets¹ | 73,221 | 43,006 |
| Liabilities expected to be settled in: | | |
| No more than 12 months | 8,125 | 8,175 |
| More than 12 months | 42,817 | 8,281 |
| Total liabilities | 50,942 | 16,457 |

1. Total Assets includes GST payable.

Note 6.2: Remuneration of Auditors

| | 2020 \$ | 2019 \$ |
|---|----------------|----------------|
| Fees for services provided | | |
| Financial statement audit services | 90,000 | 90,000 |
| Performance audit services ¹ | 135,188 | 40,909 |
| Total | 225,188 | 130,909 |

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.

1. The increase in the fees for performance audit services reflects an additional audit conducted compared to the prior year.