

Australian National Audit Office

ANNUAL REPORT 2019–20

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21 September 2020

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

Dear Mr President
Dear Mr Speaker

In accordance with section 28 of the *Auditor-General Act 1997*, I present to the Parliament my report on the activities of the Australian National Audit Office (ANAO) for the year ended 30 June 2020.

As required by subsection 17AG(2) of the Public Governance, Performance and Accountability Rule 2014, I certify that:

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

Following the tabling of the Australian National Audit Office Annual Report 2019–20, the report will be made available on the Australian National Audit Office's website, anao.gov.au.

Yours sincerely

Grant Hehir
Auditor-General

About this report

This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ended 30 June 2020.

The report addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013*; the Public Governance, Performance and Accountability Rule 2014; the *Auditor-General Act 1997*; the performance measures set out in the outcome and programs framework in the ANAO's Portfolio Budget Statements 2019–20 and the ANAO Corporate Plan 2019–20; and annual reporting requirements set out in other relevant legislation.

In **Part 1** of the report, the Auditor-General reviews the significant issues and achievements of the past year and reflects on the challenges for the year ahead.

Part 2 provides an overview of the ANAO's purpose, role and values, its organisational structure, and its key relationships, including with the Parliament.

Part 3 outlines our performance framework and provides the ANAO's report on performance for 2019–20, consisting of our annual performance statements and the report on financial performance.

Part 4 provides information on the ANAO's organisational governance, capability and risk management frameworks.

The **appendixes** contain reporting information on engagement with parliamentary committees, transparency, resources and expenses, the ANAO workforce and other management issues.

A list of abbreviations and acronyms, a list of annual report requirements and an index are provided at the end of the report to assist readers in navigating the report.

This report is available online at anao.gov.au/pubs/annual-reports.

Other ANAO publications, as well as information about the ANAO, are available on the ANAO's website at anao.gov.au.

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Part 1 — Foreword by the Auditor-General

I am pleased to present this annual report to the Parliament. The latter half of this year has been unprecedented in its disruption, but the Australian National Audit Office (ANAO) continues to meet its mandate under the *Auditor-General Act 1997* through the delivery of high quality audit and assurance reports.

The ANAO Corporate Plan 2019–20 outlined the ANAO's key performance measures for the activities which contribute to achieving its purpose, alongside its delivery strategy. Each year the corporate plan is complemented by an annual audit work program (AAWP), which is designed to include balanced coverage of portfolios and activities across the public sector.

The ANAO's performance during 2019–20 is reported on in detail in Part 3: Report on Performance. A total of 184 findings were reported to entities as a result of financial statements audits. I am pleased to see that the quality of financial reporting remains strong throughout the sector. In 2019–20, 42 performance audit reports were tabled against a target of 48. The reduction was a reflection of budget constraints (which will continue to reduce the ANAO's capacity to deliver performance audits into the future), delays due to the COVID-19 pandemic (which creates challenges in entity engagement on audits and accessing information) and funding allocated to pilot assurance audits of annual performance statements. This impact will flow into 2020–21. Of the performance audits commenced in 2019–20, we achieved the intended coverage outlined in the AAWP with a focus on service delivery, performance against objectives and the implementation of past recommendations. This year also included a focus on fraud, and integrity and probity in governance, following significant cultural issues in organisations highlighted in 2018–19 by the Financial Services Royal Commission. Performance audits in the future will continue to consider the cultural attributes impacting on entity performance. I expect this to include an increase in our focus on the ethical dimension in the proper use or management of public resources under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In 2019 the Minister for Finance requested that the ANAO undertake a program of pilot assurance audits of annual performance statements of Commonwealth entities subject to the PGPA Act, in consultation with the Parliament's Joint Committee of Public Accounts and Audit (JCPAA). I agreed to the request and a pilot audit of the 2019–20 performance statements of three entities is underway. Subject to the outcome of the pilot, the full implementation of mandatory auditing of entity performance statements would give the Parliament the same level of assurance over non-financial performance information that it currently receives for financial performance information. I expect this to result in improvements in the quality of performance information provided to Parliament. While the ANAO is meeting the costs of conducting the pilot program through a reduction in the number of performance audits undertaken, transition to full implementation will require additional budget funding.

As previously forecast, the ANAO budget is in loss for the third year in a row. This is in part due to investment in new ways of working, including technologies that will improve the efficiency of the ANAO. The deficit also reflects our transition to a lower funding base. Without supplementary appropriations, the number of performance audits tabled in the Parliament will continue to reduce. On this basis, I have written to the Prime Minister to propose that the ANAO's funding is put on a more sustainable basis to meet both mandated financial statements audits and the suite of performance and other reports which are provided to Parliament to achieve transparency and accountability in the Australian Government sector.

On 16 March 2020 the ANAO's Business Continuity Management Plan, and Pandemic Action Plan, were activated in response to the COVID-19 pandemic. I wrote to the Public Service Commissioner on 30 March, following a direction made to the Public Service by the APS Commissioner on 27 March, indicating that ANAO operations were critical to supporting accountability and transparency. As a

result, ANAO staff were not redeployed to government pandemic response measures. Due to prior year investments in technology, staff were well placed to work remotely. Entities also assisted the ANAO by making remote access to financial systems available to enable audit work to continue. Auditor-General reports continued to be presented for tabling in the Parliament through out of session arrangements in the Senate. During April 2020 I implemented an engagement 'pause' for performance audits in recognition of the work that audited entities were undertaking to adjust to new working arrangements and, for many, implementing the COVID-19 related measures announced by the Australian Government.

The ANAO commenced monthly assurance reviews of Advances to the Finance Minister given the size of advances available (in the order of \$40 billion), and to provide the Parliament with timely assurance and transparency of the Australian Government's pandemic response. In 2019–20, the ANAO presented two assurance reviews. The ANAO has released a multi-year COVID-19 audit strategy as part of the 2020–21 AAWP consultation process. The strategy outlines how the ANAO will respond to the COVID-19 pandemic in three phases:

- Phase 1 – Four 'in-flight' topics that commenced before 30 June 2020. The four topics are:
 1. The ATOs management of risks related to the rapid implementation of COVID-19 economic response measures;
 2. Management of the Australian Public Service's workforce response to COVID-19;
 3. Procurements to increase the National Medical Stockpile; and
 4. Services Australia COVID-19 measures and enterprise risk management.
- Phase 2 – will focus on: policy design; implementation (including risk management); and performance assessment including evaluation and dissemination of lessons learned.
- Phase 3 – will review the outcomes of the Australian Government's COVID-19 response and consider whether government objectives were met through the response measures.

Early audits will have a strong focus on risk management in the sector: risk emerging from rapid design and implementation; how entity risk appetite has changed and how new risk tolerance levels have been articulated and actioned; and strategies being put in place to achieve acceptable levels of compliance.

The audit program will need to be flexible given the emergence of new policies developed or adjusted as the pandemic continues, including through the Federal Budget in October 2020. Nonetheless, the COVID-19 strategy outlined in the AAWP gives a sense of the broad scope of possible audits into government policies and programs. An important consideration in our program will be the opportunity to identify lessons learned. COVID-19 risk management will also be considered in the scope of, where relevant, those audits listed in the 2020–21 Annual Audit Work Program.

In the longer term, the audit program will need to address the delivery of the intended outcomes of the COVID-19 response, including at a macro level, and we will plan for audits of recovery programs. This will be documented in future AAWP.

Through our work to date on financial audits during the pandemic, we are seeing issues emerging which may well provide challenges to entities in preparation of financial statements. These issues include material uncertainties arising in asset valuations and difficulties in performing inventory stocktakes. We expect that entities and their audit committees will turn their minds to risks in financial management, and ensure that the accounting treatment and disclosures are appropriate for the Parliament to understand these risks and uncertainties.

During 2019–20 the ANAO appeared before, and responded to questions from, a range of parliamentary committees, including the Senate's Select Committee on Administration of Sports Grants. The administration of grants is a regular performance audit focus for the ANAO. This program was selected because it was administered by a corporate commonwealth entity not subject to the Commonwealth Grants Rules and Guidelines. For the public sector there are strong lessons in grants management and general administration that come from this audit. They go to the core public sector values of being apolitical and providing the Australian Government with advice that is frank, honest, timely and based on the best available evidence. A major issue, which I believe remains unresolved, relates to how a minister can be the decision-maker with respect to the resources of a corporate entity. As corporate entities are established with the purpose of them being legally separate, this is a critical question for the operation of the public sector's financial and resource management framework.

In the course of the select committee's inquiry, numerous requests for audit information have been made. The legislative and policy framework in which the Auditor-General and ANAO operate reinforces that the Auditor-General and ANAO are custodians of documents belonging to others. The documents are collected for audit purposes in order for the Auditor-General to form conclusions against the objectives of the audit according to auditing standards. It would be inconsistent with this framework for the ANAO to become an alternate source for the release of information that is the subject of a public interest immunity claim by the information owners.

The ANAO regards integrity as a core value of the organisation — critical in sustaining the confidence of Parliament, strengthening public trust in government and delivering quality audit and assurance reports pursuant to the *Auditor-General Act 1997*. As part of the ANAO's 2019–20 Corporate Plan, we committed to investing further in integrity as a key organisational capability through the development of an Integrity Framework. The framework consolidates and provides an overarching structure to the existing ANAO integrity control system and serves to assist in ethical decision making and effective management of risk, fraud and personal conduct.



Grant Hehir
Auditor-General

Part 2 — Overview of the ANAO

This part provides an overview of the ANAO's purpose, role and values, our organisational structure, and our relationships with the Parliament and other national and international bodies.

About the ANAO

The Australian National Audit Office (ANAO) is a specialist public sector agency providing a full range of audit and assurance services to the Parliament and Commonwealth public sector entities and statutory bodies.

Purpose

The purpose of the ANAO 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 ANAO delivers its purpose under the Auditor-General's mandate as set out in the *Auditor-General Act 1997*, and in accordance with the *Public Governance, Performance and Accountability Act 2013* and the *Public Service Act 1999*.

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

Role

The Governor-General, on the recommendation of the Joint Committee of Public Accounts and Audit (JCPAA) and the Prime Minister, appoints the Auditor-General for a term of 10 years. As an independent officer of the Parliament, the Auditor-General has complete discretion in performing or exercising the functions or powers under the *Auditor-General Act 1997* (the Act). In particular, the Auditor-General is not subject to direction in relation to:

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

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

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

- auditing the financial statements of Commonwealth entities, and Commonwealth companies and their subsidiaries;
- conducting performance audits, assurance reviews, and audits of the performance statements and measures of Commonwealth entities and Commonwealth companies and their subsidiaries;
- conducting a performance audit of a Commonwealth partner as described in section 18B of the Act;

- providing other audit services as required by other legislation or allowed under section 20 of the Act; and
- reporting directly to the Parliament on any matter or to a minister on any important matter.

The ANAO supports the Auditor-General in this role.

Values

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

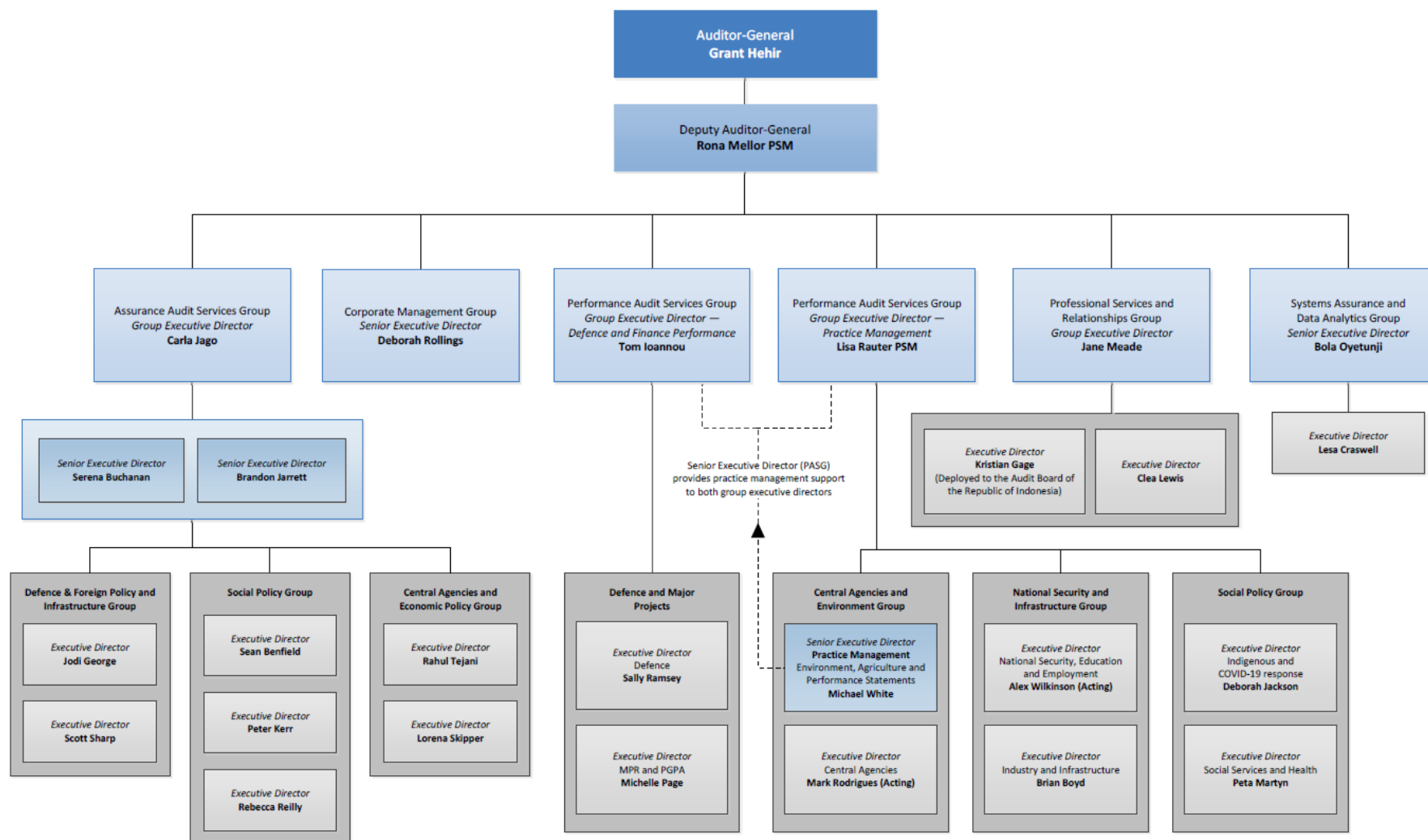
Organisational structure

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

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

The ANAO's organisational structure at 30 June 2020 is shown in Figure 2.1.

Figure 2.1: Organisational structure at 30 June 2020



As at 30 June 2020

PASG = Performance Audit Services Group; MPR = major projects report; PGPA = public governance, performance and accountability.

Relationships

In pursuing its purpose, the ANAO maintains important relationships with the Parliament, various national bodies and counterparts, as well as international counterparts, as described below.

The ANAO invests in a number of professional relationships through the two-way exchange and sharing of information and practices, and supports other nations through peer-to-peer institutional capacity development. The ANAO's engagement strategy details the ANAO's approach to key relationships with the public sector auditing community.

In recognition of the impact of the COVID-19 pandemic on the public sector auditing community, including changing work priorities and audit approaches, the ANAO has adapted the implementation of its engagement strategy to the circumstances arising from the pandemic. This includes engaging with both international and national peers and the public sector to stay informed on evolving approaches to auditing; finding new and innovative ways to continue to conduct its business with the public sector; and continuing to learn from and support other audit offices in other nations. .

The ANAO website contains further information about the ANAO's relationships.

Parliament

The ANAO's primary relationship is with the Australian Parliament and the ANAO's key interaction with the Parliament is through the JCPAA. The Auditor-General's reports assist the Parliament to hold government entities accountable and to drive improvements in public administration. The Auditor-General and ANAO support the work of the Parliament by providing independent reporting, assurance, and assistance. Assistance to the Parliament occurs through the provision of submissions and information to the Parliament, appearances before parliamentary committees, and briefings to parliamentarians. The Parliament and its committees also scrutinise the work and administration of the ANAO.

Joint Committee of Public Accounts and Audit

The JCPAA is established by the *Public Accounts and Audit Committee Act 1951*. The JCPAA formally links the Auditor-General and the ANAO to the Parliament. The committee approves the proposed appointment of the Auditor-General; advises the Auditor-General on the Parliament's audit priorities; and considers the operations and resources of the ANAO. This includes considering the ANAO's draft budget estimates and making recommendations on the ANAO's budget to both houses of Parliament and to the Prime Minister. The JCPAA of the 46th Parliament commenced in July 2019.

The JCPAA is required to review all reports that the Auditor-General tables in the Parliament and to report the results of its deliberations to both houses of Parliament. The JCPAA conducted four inquiries throughout 2019–20, resulting in the tabling of one report, [Report 481: Efficiency and Effectiveness](#), on its review of Auditor-General reports. In 2019–20, officers of the ANAO provided six private briefings, attended seven public hearings and made two submissions to assist the Committee in undertaking its functions. An outline of inquiries and reports is provided in Table 2.1.

Table 2.1: JCPAA inquiries and reports

Inquiry status	Inquiry	Relevant Auditor-General reports
Concluded – Report 481	Efficiency and Effectiveness	No. 25 of 2018–19: <i>Efficiency of the Processing of Applications for Citizenship by Conferral</i> No. 29 of 2018–19: <i>Efficiency of the Investigation of Transport Accidents and Safety Occurrences</i> No. 38 of 2018–19: <i>Application of Cost Recovery Principles</i> No. 42 of 2018–19: <i>Management of Small Business Tax Debt</i> No. 44 of 2018–19: <i>Effectiveness of the Export Finance and Insurance Corporation</i> No. 45 of 2018–19: <i>Coordination and Targeting of Domestic Violence Funding and Actions</i> No. 51 of 2018–19: <i>Farm Management Deposits Scheme</i>
Open	Cyber Resilience	No. 1 of 2019–20: <i>Cyber Resilience of Government Business Enterprises and Corporate Commonwealth Entities</i> No. 13 of 2019–20: <i>Implementation of the My Health Record System</i>
Open	2018–19 Defence Major Projects Report and the Future Submarine Project – Transition to Design	No. 19 of 2019–20: <i>2018–19 Major Projects Report</i> No. 22 of 2019–20: <i>Future Submarine Program — Transition to Design</i>
Open	Administration of Government Grants	No. 5 of 2019–20: <i>Australian Research Council's Administration of the National Competitive Grants Program</i> No. 12 of 2019–20: <i>Award of Funding Under the Regional Jobs and Investment Packages</i> No. 23 of 2019–20: <i>Award of Funding under the Community Sport Infrastructure Program</i>

National relationships

In addition to its relationship with the Parliament, the ANAO has important relationships in the national sphere with the accountable authorities of Australian Government entities, the Australasian Council of Auditors-General (which includes the state and territory auditors-general), and professional accounting bodies and standard-setting boards.

Accountable authorities

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

The ANAO considers that its ongoing relationship with chief financial officers (CFOs), officials of audited entities and audit committees helps to achieve its purpose to both improve public sector

performance and support accountability and transparency in the Australian Government sector. As part of this work, the ANAO conducts forums, with the Department of Finance, for CFOs and audit committee chairs to share insights on emerging and topical audit issues and requirements affecting Australian Government entities.

The ANAO hosted CFO forums in [November 2019](#) and [June 2020](#) that were each attended by approximately 110 CFOs and entity representatives. The June 2020 forum was presented by webinar in response to COVID-19 restrictions. In these forums, the ANAO shares information about issues arising in audits and key focus areas of the audit program, and provides insights and themes on the effectiveness of public administration. The broadcasts of the webinars are retained on the ANAO website after the live delivery.

Audit committees play an important role in entities' governance frameworks. Audit committee chair forums were held in [December 2019](#) and [July 2020](#). In July 2020 the forum was presented by webinar in response to COVID-19 restrictions. Each forum was attended by approximately 65 audit committee chairs and representatives. The forums provide an opportunity to share insights from the audit program, and relevant updates and information, to assist committees to meet the requirements of the PGPA Act and associated rules. A communique is published on the ANAO website after these forums.

Australasian Council of Auditors-General

The Auditor-General is a member of the Australasian Council of Auditors-General (ACAG), which comprises the auditors-general of the Commonwealth of Australia, New Zealand, Papua New Guinea and Fiji, along with the auditors-general of each Australian state and territory. ACAG's objective is to promote and strengthen public sector audit in Australasia through leadership, collaboration, engagement, advocacy and peer support. The ANAO contributes to ACAG's work by attending business meetings and subcommittee meetings, preparing discussion papers, participating in information exchanges, undertaking annual benchmarking and client surveys, and conducting peer reviews. In 2020, in response to the COVID-19 pandemic, the frequency of the ACAG business meetings was increased to communicate audit and organisational approaches, and to share lessons on operational and emerging audit issues.

The Australasian Council of Public Accounts Committees (ACPAC) biennial conference, which is attended by ACAG members, was hosted by the JCPAA in November 2019. ACPAC exists to exchange information and opinions about public accounts committees, in order to improve their performance and increase the accountability of government expenditure. ACPAC also aims to improve how public accounts committees communicate with auditors-general. The Auditor-General's presentation to the conference — 'The role of the PACs and Auditors-General in enabling the Parliament to carry out its oversight function effectively, making governments accountable' — focused on the role of the JCPAA and the Auditor-General in overseeing the development and implementation of reforms to the Commonwealth performance framework.

In 2018–19, the ANAO led ACAG's engagement of the Canadian Audit and Accountability Foundation (CAAF) to deliver an advanced performance audit training program — Leading Successful Audits and Evidence Collection and Analysis. Following this investment, the ANAO, in collaboration with the ACT Audit Office, delivered the first CAAF Evidence Collection and Analysis module in-house in November 2019. The course is now mandatory for all newly appointed ANAO audit staff. In 2020, in response to COVID-19 restrictions, the training package was redeveloped for presentation in an online learning environment to ensure continued access to this scheduled learning and development opportunity.

Professional accounting bodies and standard-setting boards

The ANAO is actively involved in the work of two professional accounting bodies in Australia, CPA Australia and Chartered Accountants Australia and New Zealand. Ms Carla Jago, Group Executive Director, AASG, is the Vice Chair of Chartered Accountants Australia and New Zealand ACT Regional

Council. The ANAO has recognised employer status under CPA Australia's Recognised Employer Program, which includes organisations that are committed to providing their employees with the highest standard in professional development and support.

The ANAO contributes to the development of accounting and auditing standards through contributing to ACAG responses to exposure drafts for new or amended standards proposed by the Australian Accounting Standards Board, the Auditing and Assurance Standards Board, the Accounting Professional and Ethical Standards Board, and the International Public Sector Accounting Standards Board.

International relationships

The ANAO's key international activities are engagement with other supreme audit institutions, and bilateral capacity-building partnerships with Indonesia and Papua New Guinea under Australia's international aid program.

Supreme audit institutions

A supreme audit institution (SAI) is the lead public sector audit organisation in a country. Engagement with other SAIs allows the ANAO to participate in the international dialogue about best practice public administration and developments in public sector auditing. The ANAO also responds to requests from SAIs directly, including by hosting and presenting to visiting delegations, providing information and participating in surveys.

The ANAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI), which is dedicated to promoting the exchange of information about audit and financial management among its member institutions and providing a network for the international public sector audit community.

The ANAO also contributes to the activities of two INTOSAI regional organisations:

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

In 2019, the ANAO nominated Ms Jane Meade, Group Executive Director, Professional Services and Relationships Group, as a candidate for membership of the Forum for INTOSAI Professional Pronouncements (FIPP). The nomination was successful and her three-year membership commenced on 1 January 2020. The FIPP aims to support professional development by ensuring that INTOSAI provides a clear and consistent set of professional standards at issai.org. The FIPP achieves this through reviewing and monitoring INTOSAI's framework of professional pronouncements. The ANAO participated in the forum via teleconference in March, April and June 2020.

In the first half of 2020, a number of planned INTOSAI events were cancelled or postponed due to COVID-19.

The ANAO's key international engagements in 2019–20 included participating in the:

- Triennial INTOSAI Congress in Moscow in September 2019. The forum discussion focused on the importance of responding to rapid changes in public sector auditing and technology.
- International Conference of Indonesia State Finance and Accountability (InCISFA) in Bali, Indonesia, in October 2019. The topic of the conference was 'Governance and accountability of state finance to accelerate sustainable development'. The ANAO presented a paper on how quality assurance systems can enhance SAIs' impact in promoting transparency and accountability of governments, aligning with the focus on audit quality in the ANAO's ongoing partnership activities with the Audit Board of the Republic of Indonesia.

- 22nd PASAI Congress in Natadola, Fiji, in August 2019. The theme of the congress was 'The role of SAs in helping to achieve governments' sustainable development goals', focusing on strong governance as key to improving the lives of citizens. The Auditor-General passed the position of Chair of the PASAI Governing Board to the Auditor-General of Fiji, remaining as a Governing Board member until the 23rd PASAI Congress.
- 14th Joint Strike Fighter Conference in Washington DC in November 2019. The conference focus was on methodologies and audit coverage of this specialised topic, as well as discussing and sharing findings from performance audits of the Joint Strike Fighter program.

In addition to the activities outlined above, the ANAO has increased its engagement specifically on COVID-19 auditing and organisational approaches with SAs operating within a similar environment including: SAs New Zealand, Canada, United Kingdom, and the United States of America.

Australia's international aid program

The ANAO, through a partnership agreement with the Department of Foreign Affairs and Trade (DFAT), is participating in Australia's international aid program to assist and support the audit offices of Indonesia and Papua New Guinea to build institutional capacity and facilitate the sharing of auditing knowledge across all three offices. The partnership supports the Australian Government's sectoral aid initiative to develop effective governance institutions.

Both of the international aid programs delivery were impacted by the COVID-19 pandemic. On 17 March 2020, in response to the pandemic, the Minister for Foreign Affairs made an announcement offering voluntary departures to specific categories of staff attached to all overseas posts, which included the ANAO officers deployed to Indonesia and Papua New Guinea. Following this announcement, the ANAO recalled its deployees back to Australia. On return to Canberra, the deployees continued to engage with BPK and PNG AGO and provide ongoing audit and organisational development support through the programs.

Australia–Indonesia Partnership for Economic Development (PROSPERA) Program

The ANAO's activities under the Australia–Indonesia Partnership for Economic Development (PROSPERA) program with the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan — BPK) continue to support BPK's efforts to strengthen management of its audit functions. The program is aligned with the BPK strategic plan objectives of delivering beneficial and high-quality audits. The key 2019–20 program focus areas were on performance and financial audit management, quality assurance systems, and organisational development to support audit management and capability. Recognising the maturity of the partnership, in addition to supporting the development of audit and organisation capability, the ANAO engaged with BPK on topics of mutual interest and benefit to both the ANAO and BPK.

Principal modalities for the partnership program are the deployment in-country of a senior ANAO subject matter expert; short-term technical visits by subject matter experts from the ANAO; attachments and short-term visits by BPK staff to the ANAO; technical training and workshops; and long-term secondment.

In November 2019, the ANAO participated in a formative review of the first year of the PROSPERA program, commissioned by DFAT. Overall, the review findings were very positive about the program's progress to date and Australian public sector agencies' contribution to program objectives.

The ANAO, in partnership with BPK, delivered seven of 12 planned activities for 2019–20. In response to the travel restrictions imposed by the COVID-19 pandemic, three planned activities were deferred or cancelled and two were partially delivered by alternative methods. The ANAO adapted the 2019–20 work program, pivoting the focus of activities to the impact of COVID-19 on organisational and work program considerations, and technical implications, aligning with DFAT's strategy for the focus of the program going forward.

Australia–Papua New Guinea Institutional Partnerships Program

The Institutional Partnerships Program (IPP) supports the development of long-term institutional relationships between Australian and Papua New Guinea (PNG) government entities. The ANAO's activities under the program support the efforts of the PNG Auditor-General's Office (AGO) to strengthen the management of its audit functions, in line with its Corporate Plan 2017–2021 strategic objectives. The key 2019–20 program focus areas were management of institutional linkages, information technology audit support, and organisational capacity development.

Principal modalities for the partnership program are the deployment in-country of an ANAO subject matter expert; short-term technical visits by ANAO subject matter experts; attachments of AGO staff to the ANAO, including in the ANAO graduate program and other Australian audit offices; and technical training and workshops.

The ANAO, in partnership with the AGO, delivered five of 10 planned activities for 2019–20. Due to the travel restrictions imposed by the COVID-19 pandemic, one planned activity for 2020 was deferred, one activity was partially delivered, and three activities were delivered by alternative methods. The deferred activity involved the return to Papua New Guinea of AGO staff who were taking part in the ANAO graduate program.

The ANAO, in partnership with the Queensland Audit Office, conducted a performance management framework assessment of the AGO in late 2019 to inform better targeting of IPP activities and reporting on outcomes. The assessment and the AGO's next corporate plan will form the basis of the IPP going forward, along with a shift in focus of program activities in response to the COVID-19 pandemic.

The ANAO has continued to engage with the AGO and provide ongoing audit and organisational development support, with a focus on implementing the performance management framework recommendations.

Part 3 — Report on performance

Independent assurance report on the annual performance statement of the Australian National Audit Office

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

Conclusion

In my opinion, in all material respects, the annual performance statement of the Australian National Audit Office for the period 1 July 2019 and 30 June 2020 has been prepared in accordance with the criteria set out below.

Audit Criteria and Source

The criteria against which I have formed my opinion are:

- whether the performance measures included in the Australian National Audit Office's Corporate Plan 2020-21 and will report against in its annual performance statement for the period 1 July 2020 to 30 June 2021 meet the requirements for performance measures for a Commonwealth entity in accordance with section 16EA of the *Public Governance, Performance and Accountability rule 2014*;
- whether records retained by the ANAO support the results presented in its annual performance statement for the period 1 July 2019 to 30 June 2020; and
- whether the ANAO has maintained in all material respects a framework for gathering, assessing, monitoring and reporting performance information in the annual performance statement for the period 1 July 2019 to 30 June 2020.

I have drawn these criteria from the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), the accompanying *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule) and relevant Resource Management Guides issued by the Department of Finance to support the enhanced Commonwealth government performance framework.

Basis for my Conclusion

I have conducted my work in accordance with the Australian Standard on Assurance Engagements (ASAE 3000), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. I believe that the assurance evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

In accordance with ASAE 3000 I have:

- used my professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the annual performance statement for the period 1 July 2019 and 30 June 2020 is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing my assurance procedures; however, I do not express a conclusion on their effectiveness; and
- ensured that my engagement team possesses the appropriate knowledge, skills and professional competencies.

Inherent Limitations

There is an unavoidable risk that work planned and executed in accordance with Australian Auditing Standards including ASAE 3000 may not detect a fraud, error or non-compliance with laws and regulations, particularly where there has been concealment through collusion, forgery and other illegal acts. There are inherent limitations in performing such work – for example, work is based on selective testing of the information being examined – and therefore errors and irregularities may not be detected. However, I will communicate to ANAO, as appropriate, any such matters that come to my attention.



Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement when it exists. Misstatements, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users of the report.

Use of the Report

This report was prepared for the President of the Senate and the Speaker of the House or Representatives for the purpose of providing an assurance conclusion on the ANAO's annual performance statement for the period 1 July 2019 to 30 June 2020, and may not be suitable for another purpose. I disclaim any assumption of responsibility for any reliance on my report, to any person other than the President of the Senate or the Speaker of the House of Representatives, or for any other purpose than that for which it was prepared.

My Responsibility

My responsibility is to perform a reasonable assurance engagement in relation to the ANAO's annual performance statement for the period 1 July 2018 to 30 June 2019, and to issue an assurance report that includes my conclusion.

Management's Responsibility

ANAO are responsible for:

- determining that the criteria are appropriate to meet their needs and the needs of the Auditor-General;
- preparing and presenting the annual performance statement for the period 1 July 2019 to 30 June 2020 in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the annual performance statement for the period 1 July 2019 to 30 June 2020 free from material misstatement, whether due to fraud or error.

Independence and Quality Control

I have complied with independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Yours Sincerely



Eileen Hoggett
Independent Auditor

Annual performance statements

As the accountable authority of the Australian National Audit Office, I present the 2019–20 annual performance statements of the Australian National Audit Office, as required under paragraphs 39(1)(a) and (b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and section 16F of the Public Governance, Performance and Accountability Rule 2014. In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity for the reporting period, and comply with subsection 39(2) of the PGPA Act.



Grant Hehir
Auditor-General
18 September 2020

Performance framework

The ANAO's performance framework allows us to monitor and measure:

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

Taken together, the performance measures tell a story of the ANAO's achievement of its purpose. The output measures relay progress in the delivery of the ANAO's audit work. The quality and efficiency measures are intended to demonstrate efficient use of taxpayer resources and the ANAO's commitment to quality and transparency in its work. The impact measures seek to provide information on entities' implementation of audit findings and recommendations for the information of the Parliament and entities, and the extent to which Parliament's engagement with our work leads to improvements in public sector administration.

Corporate plan and portfolio budget statements

The ANAO measures its performance against its purpose using a range of performance criteria, which are outlined in the Portfolio Budget Statements 2019–20 and the ANAO's Corporate Plan 2019–20.

The purpose of the ANAO 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.

In its Portfolio Budget Statements 2019–20 the ANAO's sole outcome (Outcome 1) is 'to improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public'.

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

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

The ANAO's outcome and programs framework for 2019–20 is shown in Table 3.1.

Table 3.1: ANAO's outcome and programs framework for 2019–20

Outcome 1	
To improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public.	
Program 1.1: Assurance audit services	Program 1.2: Performance audit services
<p>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> • providing assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions and related reports for the information of Parliament, the Executive and the public; and • contributing to improvements in the financial administration of Australian Government entities. 	<p>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> • reporting objectively on the performance of Australian Government programs and entities, including opportunities for improvement, by undertaking a program of independent performance audits and related reports for the information of Parliament, the Executive and the public; and • contributing to improvements in Australian Government administration by identifying and promoting better practice.

Assurance audits

The ANAO audits the annual financial statements of Australian Government entities and the Consolidated Financial Statements of the Australian Government. The Consolidated Financial Statements present the consolidated whole-of-government financial result inclusive of all Australian Government-controlled entities, including entities outside the general government sector. These audits are designed to give assurance to the Parliament that an entity's financial statements fairly represent its financial operations and financial position at year end. The ANAO also undertakes a range of assurance reviews by arrangement with entities, and in accordance with section 20 of the *Auditor-General Act 1997*.

Performance audits

A performance audit is a review or examination of any aspect of the operations of an entity that is undertaken in accordance with the ANAO Auditing Standards. The ANAO's performance audits are presented to the Parliament and identify areas where improvements can be made to aspects of public administration. They often make specific recommendations to assist public sector entities to improve performance. Performance audits may also involve multiple entities and examine common aspects of administration or the joint administration of a program or service. An assurance review of defence major projects is also undertaken annually.

Performance statements audits

In September 2018, the Independent Review into the operation of the PGPA Act recommended that the Finance Minister, in consultation with the JCPAA, should request that the Auditor-General pilot assurance audits of annual performance statements to trial an appropriate methodology for these audits. On 27 August 2019, the Minister for Finance requested that the Auditor-General conduct a [pilot program of audits of annual performance statements](#) in consultation with the Joint Committee of Public Accounts and Audit. Following the Auditor-General's agreement, the ANAO commenced the pilot under section 15 of the *Auditor-General Act 1997* and is applying the performance statements auditing methodology developed over recent years to the 2019–20 performance statements of three entities.

The intent of performance statements audits is to drive improvements in the transparency and quality of entities' performance reporting and, in turn, increase entities' accountability to the Parliament and public. The pilot is being conducted in accordance with ASAE 3000 *Assurance Engagements Other than Audits or reviews of Historical Financial Information* and will consider whether entity performance statements comply with the relevant requirements of the *Public Governance, Performance and Accountability Act 2013* and Rule, the appropriateness of the performance criteria and whether results are complete, accurate and supported by sufficient records.

The performance statements audits will include interim and final fieldwork, with management letters outlining interim and final audit results and is expected to be completed in time for inclusion in entity 2019–20 annual reports. The final audit opinions will appear in independent assurance reports similarly to those prepared by the ANAO in relation to its annual financial statements audits, and will be provided to the Minister for Finance for tabling in the Parliament. The detailed outcomes of the pilot will also be reported to the Minister for Finance, the JCPAA and the Parliament.

Analysis of performance against our purpose

Overall in 2019–20, the ANAO achieved 9 measures out of 18, a reduction in the number of performance outcomes achieved in 2018–19:

- For Program 1.1: Assurance Audit Services, 1 out of 7 measures were met; a
- For Program 1.2: Performance Audit Services 3 out of the 5 measures were met; and
- For performance results for relationships and corporate and professional services 5 out of 6 measures were met.

A number of factors impacted the ANAO's ability to meet its performance measures across both programs. This includes entities not providing the ANAO with a final set of financial statements for audit which impacts the percentage of mandatory financial statement auditors reports not completed. Other factors include the impact of budget constraints across both programs that impact the delivery of outcomes.

The ANAO successfully carried out its Annual Audit Work Program 2019–20 by responding to interests and priorities of the Parliament and providing a balanced program of activity that was informed by risk. Through the audit program, the ANAO promoted accountability, transparency and improvements to public administration; following up on past recommendations and identifying trends for improvement, or declines in performance across government; and applying all of the Auditor-General's mandate. The ANAO also initiated four COVID-19 related performance audits and monthly assurance reviews of COVID-related advances to the Finance Minister reflecting the need to provide the Parliament with timely assurance and transparency of the Australian Government's pandemic response measures.

In addition, the ANAO continued to respond to requests from Parliament, by briefing members of parliament and committees, and making submissions to and/or appearing before parliamentary committees. The ANAO engagement with Parliament continued to include requests for submissions and/or appearances from committees other than the JCPAA. Of particular note was ANAO's support provided to the Parliament in relation to Auditor-General Report No.23 (2019–20) *Award of Funding under the Community Sports Infrastructure Program*. In relation to the audit ANAO provided a total of three private briefings; appeared as a witness before the Senate Select Committee on the Administration of Sports Grants inquiry hearing, and responding to eight questions on notice taken during this hearing. The audit was also a key focus of ANAO's appearance before the Finance and Public Administration Committee Senate Estimates hearing in March 2020, with ANAO responding to a further four questions following the Estimates hearing.

The ANAO has also established a new section on the ANAO website providing access for parliamentarians to performance audit reports sorted by areas of coverage for Senate estimates committees.

In 2019–20, the ANAO presented 42 performance audits for tabling in the Parliament. The primary focus of ANAO performance audits was effectiveness and economy — the extent to which entities delivered on intended objectives and the value for money achieved in doing so. The year also saw continued emphasis on risk management and governance within entities with a focus on probity and fraud, grants and procurement management, cyber security, and efficiency. Performance audit work covered non-corporate and corporate government entities and government business enterprises (GBEs) reflecting the Auditor-General's mandate.

In 2019–20, the ANAO published four *Audit Insights* reports to support its purpose and the focus of the annual audit work program. Topics addressed were: entities approach to managing the implementation of recommendations; management of conflicts of interest in procurement activity and grant programs; and fraud control arrangements. The ANAO published an audit insights product on 16 April 2020 setting out key messages from Auditor-General reports for rapid implementation of Australian Government initiatives as the Australian Public Service commenced implementation of stimulus and support measures in response to the COVID-19 pandemic.

The following sections provide more detailed analysis of the ANAO's performance results for Program 1.1 (assurance audit services), Program 1.2 (performance audit services), and ANAO-wide activities relating to relationships, and corporate and professional services.

Performance results for Program 1.1: Assurance audit services

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

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

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

Key to the ANAO's audit process is an assessment of entities' internal control frameworks as they apply to financial reporting. An effective internal control framework provides the ANAO with a level of assurance that entities are able to prepare financial statements that are free from material misstatement. In 2019–20, a total of 74 findings were reported to the entities included in the interim audit report to Parliament, comprising no significant, eight moderate, 65 minor findings. In addition one significant legislative breach was reported. This is an increase on the interim audit results of 2018–19, with a total of 70 reported findings comprising one significant, 12 moderate and 57 minor findings. Sixty-three per cent of findings are in the areas of:

- management of IT controls, particularly the management of privileged users; and

- human resources financial processing.

The Consolidated Financial Statements present the consolidated whole-of-government financial results inclusive of all Australian Government-controlled entities, as well as the general government sector financial report. The 2018–19 Consolidated Financial Statements were signed by the Minister for Finance on 14 November 2019 and an unmodified auditor's report was issued on the same day.

A total of 184 findings were reported to entities as a result of the 2018–19 financial statements audits. These comprised three significant, 21 moderate and 160 minor findings. Most of the significant and moderate findings were in the areas of:

- compliance and quality assurance frameworks supporting program payments and financial reporting; and
- management of IT security and user access, in particular the management of privileged users.

Four legislative breaches were also reported to entities during 2018–19 financial statements audits. Of the legislative breaches, three were significant and one was non-significant. A significant breach is reported where a significant potential or actual breach of the Constitution occurs, or where noncompliance with an entity's enabling legislation, legislation the entity is responsible for administering, or the PGPA Act is identified. A non-significant legislative breach is reported where instances of noncompliance with other legislation, or subordinate legislation, are identified.

Performance measures

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

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

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

- number of financial statements audit opinions issued;
- number of other assurance reports produced;
- number of financial statements-related reports produced;
- timeliness of issuing the auditor's opinions;
- average cost of financial statements audits; and
- percentage of recommendations agreed and implemented by audited entities.

Criterion 1	Percentage of the mandatory financial statements auditor's reports completed
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.1, p. 113
Result	Achieved a result of 98% against a target of 100%

The number of financial statements auditor's reports issued is a key measure of the ANAO's core business in achieving its purpose. Financial statements auditor's reports provide assurance to the Parliament that the financial statements of an entity comply with Australian accounting standards and other reporting requirements (such as the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015), and present fairly the entity's financial position and its financial performance and cash flows for the period.

During 2019–20, the ANAO completed 243 of 249 mandated¹ financial statements audits for the year ended 30 June 2019. This included the Consolidated Financial Statements of the Australian Government. There are 6 entities² that have not provided the ANAO with a set of financial statements for audit; and 243 entities that provided the ANAO with a set of financial statements for audit and have received an auditor's report for tabling in Parliament.

In addition to financial statements audits, the ANAO also completed two mandated non-financial statements audits in 2019–20. These are compliance audits required by the Australian Postal (Performance Standards) Regulations 1998 and subsection 313(3) of the *Bankruptcy Act 1966*. These audits are reported under Criterion 3 below — Number of assurance audit reports by arrangement.

Details of issues identified during the financial statements audits are included in Auditor-General Report No.20 of 2019–20: [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2019](#).

Criterion 2	Number of financial statements-related audit reports presented to Parliament
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.1, p. 113
Result	Achieved a result of 2 against a target of 2

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

Auditor-General Report No.20 of 2019–20: [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2019](#) was tabled in December 2019. This report complemented the interim-phase report published in June 2019, and provided a summary of the final

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

2 Kakadu Tourism (GCH) Pty Ltd, Kakadu Tourism (GLC) Pty Ltd, Gagudju Crocodile Hotel Trust, Gagudju Lodge Cooida Trust, North Australia Aboriginal Corporation, Northern Australia Aboriginal Charitable Trust

results of the audits of the Consolidated Financial Statements for the Australian Government and the financial statements of Australian Government entities.

Auditor-General Report No.38 of 2019–20: [*Interim Report on Key Financial Controls of Major Entities*](#) was tabled in May 2020. This report focused on the results of the interim audit phase — including an assessment of entities' key internal controls — of the 2019–20 financial statements audits of 24 entities, including all departments of state and a number of major Australian Government entities. The work performed for the interim report pre-dated adjustments entities have made to their financial and risk management controls. These risks will be considered in the final audits of financial statements.

Criterion 3 Number of assurance audit reports by arrangement	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.1, p. 113
Result	Achieved a result of 41 against a target of 45

The target was based on an estimate of the number of audits and reviews by arrangement that the ANAO may be requested to undertake. This target was not achieved as the ANAO was not requested to undertake as many audits and reviews as originally estimated.

In addition to the conduct of mandated financial statements audits, the ANAO undertakes other assurance activities by arrangement with audited entities to support accountability and transparency in the Australian Government sector. Measuring section 20 audits (i.e. audits by arrangement) contributes to the delivery of Program 1.1 by independently identifying improvements in the financial administration of Australian Government entities. In 2019–20, the ANAO completed 39 other assurance activities.

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

Also reported against this criterion are two mandated non-financial statements audits completed by the ANAO in 2019–20. These are compliance audits required by the Australian Postal (Performance Standards) Regulations 1998 and subsection 313(3) of the *Bankruptcy Act 1966*.

Criterion 4 Percentage of auditor's reports issued within three months of the financial-year-end reporting date	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.1, p. 113
Result	Achieved a result of 81.9% against a target of 85%

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

Providing timely auditor's reports also supports entities in meeting requirements to provide audit-cleared financial information to the Department of Finance in accordance with deadlines that are set

to assist the Australian Government to prepare the Final Budget Outcome by 30 September and the Consolidated Financial Statements by 30 November each year. The Consolidated Financial Statements present whole-of-government financial results, inclusive of all Australian Government-controlled entities.

Achievement of this measure relies on entities providing the ANAO with auditable financial statements within the required timeframe. In 2018–19, the ANAO assessed the timeliness and quality of financial statements preparation, the results of which are consistent with the increase in the number of financial statements preparation findings reported. Timeliness in preparation was assessed by comparing the date of delivery of the financial statements to agreed timeframes. The timeframe was established by entities and agreed with audit teams for the delivery of financial statements. Timeliness in financial statements preparation declined compared to the prior year. In November 2019 there were eight 2018–19 financial statements that had not been finalised and presented to the ANAO for audit compared to one in the previous year.³ The ANAO works closely with entities to facilitate the timely finalisation of the financial statements, with the objective of issuing auditor's reports within two business days of the financial statements being signed. The ANAO issued 95 per cent (2018–19: 99 per cent) of auditors' reports within two business days of the signing of the financial statements by the accountable authority.

The result of 81.9 percent of entities being issued a signed auditor's report within three months of the financial year end is a decrease from 89.6 per cent in the prior year.

Criterion 5 Percentage increase to average cost per financial statements audit	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.1, p. 113
Result	Achieved a result of 0.63% increase against a target of 0%

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

In 2019–20, the ANAO is reporting on audits of financial statements from the 2018–19 audit cycle, as the financial year ends on 30 June and the audit occurs after the end of the financial year. Therefore, the average cost per audit for the Assurance Audit Services Group is calculated by comparing the average cost of the 2018–19 audit cycle, which was completed in September 2019, to the average cost of the 2017–18 audit cycle, which was completed in September 2018. The 2018–19 average cost was \$154,889 and the 2017–18 average cost was \$153,913 (see footnote (c) below) representing a 0.63 per cent increase.

Table 3.2: Cost of assurance audit reports, 2016–17 to 2018–19

	Percentage increase Target	Average cost per mandated audit \$(a)	Range of audit fees charged (b)
2018–19	0%	154,889	\$5500–\$3,800,000
2017–18	0%	153,913(c)	\$5000–\$3,800,000
2016–17	0%	153,726	\$4600–\$3,800,000

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

³ The Auditor-General Report No.20 2019–20 – *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2019*

- (b) Fees are charged on a cost recovery basis.
- (c) Figure revised from 18-19 annual report. The 2017-18 average cost per mandated audit was reported in the 2018-19 annual report as \$153,512. The ANAO subsequently identified a data integrity issue which resulted in this average cost being corrected to \$153,913. This correction means that the 2018-19 annual report should have reported a 0.12% increase in the average cost of a mandated audit between 2016-17 and 2017-18 (against a target of a 0% increase), instead of the 0.14% decrease reported in the 2018-19 annual report. As a result, the 2018-19 annual report should have shown that the target was not achieved for criterion 5.

Criterion 6	Percentage of moderate or significant findings from assurance audit reports agreed to by audited entities
Source	ANAO Corporate Plan 2019-20 Portfolio Budget Statements 2019-20, Program 1.1, p. 113
Result	Achieved a result of 89% against a target of 90%

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

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

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

Criterion 7	Percentage of moderate and significant findings that are addressed by material entities within one year of reporting
Source	ANAO Corporate Plan 2019-20 Portfolio Budget Statements 2019-20, Program 1.1, p. 113
Result	Achieved a result of 21% against a target of 90%

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

Audit findings are reported to entities at the conclusion of each year's financial statements audit. In order to determine whether these findings have been addressed by entities within one year of

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

reporting, a full twelve month period is required from the end of the previous audit cycle. The audit cycle generally runs from October to September. Therefore, this performance measure for 2019–20 considers whether the audit findings reported at the conclusion of the 2017–18 audit cycle (in September 2018) had been addressed by entities at the conclusion of the 2018–19 audit cycle (in September 2019). At the conclusion of the 2017–18 audit cycle, 14 significant and moderate findings were reported to material entities. A number of these findings relate to complex areas and/or system changes that entities have needed additional time to address. Three of these findings (21 per cent) were resolved within one year of being reported.

Performance results for Program 1.2: Performance audit services

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

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

In 2019–20, the primary focus of ANAO performance audits was both effectiveness (the extent to which entities delivered on intended objectives and their performance measurement against these objectives) and economy (the extent to which value for money is being achieved). In 2019–20, the focus on effectiveness included an examination of fraud management.

ANAO responded to the sector-wide risks emerging for public administration of the 2020 COVID-19 pandemic response by developing a strategy for a future program of audits on risks relating to the COVID-19 response package and by initiating four performance audits in key government response activity areas. In April 2020, the ANAO implemented a pause on engagement with entities in relation to performance audits underway. The pause was in recognition of the efforts entities were undertaking to both adjust their workforces to respond to health measures and to implement the Australian Government's economic and social response measures. The pause, while well received within the sector, has had impacts on the delivery of the 2019–20 performance audit program, and will impact on the 2020–21 program due to the delayed start of new audits.

The year also saw the continuation of a series of audits on major investments by the Australian Government, including on the National Disability Insurance Scheme, major Defence procurements; Indigenous service delivery; cyber resilience; NBN; and the governance of Commonwealth corporate entities and government business enterprises.

In response to ongoing parliamentary interest in entities' implementation of ANAO audit and parliamentary committee recommendations, the ANAO continued its audit series on the implementation of ANAO and parliamentary recommendations. In 2019–20, the Auditor-General tabled seven performance audits that either followed up on an entity's progress in implementing recommendations, or followed on from other related audits.

In 2019–20, the ANAO began a pilot program of assurance audits of annual performance statements in consultation with the Joint Committee of Public Accounts and Audit. The pilot was commenced at the request of the Minister for Finance in response to a recommendation of the Independent Review of the PGPA Act. In agreeing to conduct the pilot, under section 15 of the *Auditor-General Act 1997*

the ANAO is applying the auditing methodology developed over recent years to the 2019–20 performance statements of three entities. The final audit opinions will appear in independent assurance reports, in the same timing as, and similar to, those prepared by the ANAO in relation to its annual financial statement audits. The reports will be provided to the Minister for Finance for tabling in the Parliament. The application of performance audit resources to this pilot also impacted on the number of performance audits that were tabled in Parliament in 2019–20 and into 2020–21.

Performance measures

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

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

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

- number of performance audits presented to Parliament;
- time and cost of these audits (our efficiency); and
- percentage of recommendations agreed to and the status of their implementation by entities (our impact and effectiveness).

Criterion 8	Number of performance reports prepared for Parliament
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.2, p. 114
Result	Achieved a result of 42 against a target of 48

In 2019–20, the Auditor-General presented 42 performance audits for the information of the Parliament (Table 3.3). A number of audits have experienced delays and could not be finalised in 2019–20 both because some audits have been more complex than expected, primarily due to poor record keeping in entities and the resulting need for extensive data extraction and analysis, and due to the impact of the COVID-19 pandemic. The COVID-19 pandemic limited the ability of government entities to fully engage with the performance audit process as they redirected resources to support the Australian Government's pandemic response. The ANAO also decided to pause engagement across the sector on all performance audits during April, which while well received by the sector, caused delays to a number of audits. In addition, the commencement of a pilot program of assurance audits of annual performance statements diverted resources from performance audits.

In addition to the 42 performance audits presented to Parliament, the ANAO presented Auditor-General Report No. 19 of 2019–20: [2018–19 Major Projects Report](#) in December 2019. This is an annual publication that provides assurance regarding the progress of major Defence projects. The ANAO also presented Auditor-General Report No. 27 of 2019–20: *Australian Government Procurement Contract Reporting Update*. This is the second information report on this topic, which seeks to provide greater transparency on procurement activity in the Australian public sector. This information report is neither an audit nor an assurance review and presents no conclusions or opinions.

Table 3.3: Number of performance audit reports, 2015–16 to 2019–20

	Number of performance audits	
	Target	Result
2019–20	48	42
2018–19	48	48
2017–18	48	47
2016–17 ^(a)	48	58
2015–16 ^(a)	49	35

(a) The number of performance audits presented to the Parliament 2015–16 and 2016–17 was affected by the double dissolution of the Parliament on 9 May 2016, during which time Auditor-General reports could not be presented for tabling which caused a delay in publishing audits into 2016–17.

Criterion 9	Average elapsed time (months) for completion of performance audits
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.2, p. 114
Result	Achieved a result of 10 months against a target of 10 months

The duration of a performance audit (Table 3.4) is impacted by multiple factors, including the complexity of the activities examined, the depth of the audit scope, the number of entities selected for a particular audit, the experience of staff contributing to the audit and the timely and comprehensive provision of information by entities. When selecting audit topics from the Annual Audit Work Program, the ANAO seeks to achieve an appropriate balance of different audit types and complexities. This includes consideration of portfolio coverage, basic administration as well as complex program implementation, activity area (policy development, service delivery, asset management, grant management and so on) and whether a follow-up from a previous audit is timely.

Table 3.4: Duration of performance audits, 2015–16 to 2019–20

	Time taken to complete report (months)		
	Target	Average	Range
2019–20	10.0	10.0	6.3–14.0
2018–19	10.5	10.1	4.6–18.1
2017–18	10.5	9.6	6.2–15.9
2016–17	N/A	10.6	5.2–22.0
2015–16	N/A	11.6	6.9–18.6

Criterion 10	Percentage increase to average cost per performance audit
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.2, p. 114
Result	Achieved a result of 5.0% increase against a target of 0%

The ANAO is committed to delivering cost-effective audits and improving our efficiency and productivity over time. One way of demonstrating this is to measure the cost of delivering audits and comparing this to our prior-year costs (Table 3.5).

The average cost of audits delivered in 2019–20 has increased compared to audits delivered in 2018–19. This reflects that 2019–20 audits have required, on average, more hours per audit than audits tabled in 2018–19, which, when coupled with rising charge out rates (hourly cost of audit time), means audits will cost more. In addition, audits have required, on average, more senior staff time than audits in 2018–19. This is due in part to the complexity of audit topics selected in 2019–20, but also due to the need for greater resource investment in quality assurance given the increased staff turnover rate in 2019–20 and the need to invest in developing new staff and associated quality assurance work required.

Table 3.5: Cost of performance audit reports, 2015–16 to 2019–20

	Percentage increase	Cost per performance audit (\$'000) ^(a)	
	Target	Average	Range
2019–20	0%	439	186–904
2018–19	0%	419	131–670
2017–18	0%	422	159–786
2016–17	N/A	468	102–1,500
2015–16	N/A	526	230–767

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

Criterion 11	Percentage of recommendations from performance audit reports agreed to by audited entities
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.2, p. 114
Result	Achieved a result of 91% against a target of 90%

The ANAO makes recommendations in performance audit reports to support Parliament in its role in holding entities to account for quality and timely administration and service delivery. Throughout a performance audit, the ANAO keeps entities informed of findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations.

Table 3.6 provides details of recommendations agreed against those made. Only recommendations that were agreed without qualification are included as ‘agreed’ recommendations. In 2019–20, 128 recommendations were agreed, 2 recommendations were agreed with qualification, 4 recommendations were not agreed and 7 recommendations were noted.

Table 3.6: Agreement to recommendations in performance audit reports, 2015–16 to 2019–20

	Recommendations				
	Total number	Fully agreed (%)	Agreed with qualifications (%)	Not agreed (%)	Noted or no response by entities (%)
2019–20	141	90.8	1.4	2.8	5.0
2018–19	146	90	7.0	0.5	2.5
2017–18	126 ^(a)	85	9.5	2.5	3.0
2016–17	102	91	4.0	3.0	2.0
2015–16	103	97	3.0	0.0	0.0

(a) There were also four recommendations for which no response was provided.

Criterion 12	Percentage of ANAO recommendations implemented within 24 months of a performance audit report
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, Program 1.2, p. 114
Result	Achieved a result of 81% against a target of 70%

The ANAO monitors entities' implementation of performance audit recommendations by attending entity audit committees, and conducting audits that follow up on entity progress in implementing previously made recommendations. The ANAO also seeks advice annually from all relevant entities on progress in implementing audit recommendations over a two-year implementation period. The self-reported data for audit recommendations made in 2017-18 suggests that entities are implementing ANAO recommendations largely within 24 months of the recommendation being agreed (Table 3.7). For those recommendations that have not yet been implemented, the majority of entities have advised that work is underway.

Table 3.7: Percentage of 2015–16, 2016–17 and 2017-18 performance audit recommendations implemented within 24 months

	Recommendations (number)	Recommendations implemented (%)	Recommendations not implemented (%)	Recommendations with no response provided (%)
2017-18	126	81	19	0
2016–17	102	72	26	2
2015–16	103	89	11	0

Performance results for relationships and corporate and professional services

A number of performance measures are shared across the ANAO, generally relating to relationships, corporate, and professional services. These areas of activity contribute to achieving the ANAO's purpose through:

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

Performance measures

To assess performance against our purpose in relation to ANAO-wide activities, the ANAO measures performance in delivering audit services through our key relationship with the Parliament; and the publication of audit insights and key learnings from audit work.

The ANAO also evaluates whether the independent Quality Assurance Program indicates that audit conclusions are appropriately supported by evidence.

Criterion 13	Number of appearances and submissions to parliamentary committees
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, shared by programs 1.1 and 1.2, p. 117
Result	Achieved a result 47 against a target of 20

The ANAO supports the work of parliamentary committees by providing private briefings on request, and making appearances before, and submissions to, committee inquiries. In 2019–20, the ANAO made 47 appearances before, and submissions to, parliamentary committees. Appendix A details ANAO appearances and submissions.

The 2019–20 result exceeded the target and is comparable to the 2018–19 result of 40. The relationship with the JCPAA remains the ANAO's key parliamentary engagement. To support the work of the Parliament more broadly, the ANAO focused on proactively seeking opportunities to engage with the Parliament and improve the utilisation of audit reports in parliamentary proceedings. Engagement activities included:

- providing written briefs to incoming ministers and shadow ministers on the commencement of the 46th Parliament outlining the work of the ANAO specific to portfolio responsibilities;
- presenting to Senators of the 46th Parliament on the role of the ANAO during new senators' orientation week;
- reviewing all Senate, House and joint committee inquiries and making submissions and being available to appear at hearings where there was relevant audit coverage to the committee inquiry terms of reference; and
- providing a summary before all estimates hearings to estimates committees, which includes information about all audit reports that have been tabled since the last estimates hearings and highlighting which audits are relevant to a committee's portfolio of responsibilities.

Criterion 14	Percentage of private briefings undertaken by request of parliamentarians
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, shared by programs 1.1 and 1.2, p. 117
Result	Achieved a result of 100% against a target of 100%

In 2019–20, the ANAO provided 27 of 27 private briefings requested by parliamentarians. The total number of briefings provided in 2019–20 substantially exceeded the 12 briefings provided in 2018–19. This is consistent with an increase in requests for private briefings in previous years following the commencement of a new Parliament. Of the 27 briefings provided, 24 related to specific audit reports, two briefings provided a general outline of ANAO audit services provided to the Parliament, and one briefing related to a request for audit.

All private briefings provided by the ANAO to parliamentarians and parliamentary committees are [published on the ANAO website](#) as they occur.

Criterion 15 The ANAO independent quality assurance program indicates that audit conclusions are appropriate	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2018–19, shared by programs 1.1 and 1.2, p. 117
Result	Achieved a result of 94.7% against a target of 100%

Quality in the delivery of the ANAO's audit services is critical in supporting the integrity of audit reports and maintaining the confidence of the Parliament and public sector entities. This is reflected in the target set in the performance indicator for Criterion 15.

The ANAO's quality assurance framework is a system of quality control designed to provide assurance that audits performed by the ANAO comply with applicable professional standards and relevant regulatory and legal requirements, and that the reports issued are appropriate in the circumstances.

A key element of the quality assurance framework is monitoring of compliance with policies and procedures that comprise the system of quality control. The monitoring system comprises internal and external quality assurance reviews of the ANAO's audit and other assurance engagements. Monitoring activities are the responsibility of the Professional Services and Relationships Group reporting to the Executive Board of Management and the ANAO Audit Committee. The ANAO Quality Committee is responsible for monitoring the ANAO's progress in addressing the findings and recommendations arising from the monitoring programs.

Monitoring processes include:

- annual quality assurance reviews of completed audits covering all of the functions of the ANAO;
- real-time quality reviews of in-progress financial statements audits;
- progress reviews at specified points by the audit executive and Auditor-General for in-progress performance audits;
- biennial external peer reviews of completed performance audits performed by the New Zealand Office of the Auditor-General;
- external reviews of the quality framework and completed financial statement audits conducted by the Australian Securities and Investments Commission; and
- internal audits of compliance with selected requirements of the ANAO audit manual.

In 2019–20, the annual quality assurance program of completed audits reviewed nine financial statements audits and four performance audits. In addition, four real-time quality reviews of in-progress financial statements audits were conducted. One real-time review was a focused review on the IT audit work conducted as part of the financial statement audit. The focused review is not included in the above performance measure.

One financial statements audit file reviewed was determined to be unsatisfactory as a material misstatement was not detected in the audit meaning the conclusion was inappropriate in the circumstances. The identified quality issues are being considered in the context of the 2019–20 audit. Additional work is underway with the auditee to ensure appropriate remediation of the findings and presentation in the 2019–20 year financial statements. All remaining financial statement audit conclusions and all performance engagement assurance conclusions were appropriate in the circumstances. The three satisfactory reviews conducted by the Australian Security Investment Commission and discussed further below are also included in the performance measure.

Based on the results reported to the Executive Board of Management and the completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned

effectively in 2019–20. Identified deficiencies and good practice recommendations identified in all internal and external reviews are addressed by ANAO follow-up actions. Progress and completion of follow-up actions is monitored by the Quality Committee.

As in previous years, the mix of financial statements audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted firms. Identified areas for improvement in financial statements audits included the design and execution of substantive analytical procedures and the documentation related to engagement team planning meetings, independence declarations and subsequent events. The identified areas for improvement in performance audits relate to records of internal meetings and the closure of the audit file.

In 2019–20, the ANAO conducted a root cause analysis of selected findings and observations from the 2017-18 financial statements audit file inspections to identify the root cause of findings and determine the most appropriate remedial actions. Follow up actions arising from this analysis included updates to methodology and guidance and training for engagement team planning discussions and responses to fraud risk, and the audit approach over risks associated with auditees' use of cloud services and other emerging technologies.

The ANAO Qualifications and Technical Advisory Committee provides a forum for engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit-related matters. ANAO policy identifies the matters that must be referred to the committee and the committee meets as required to provide advice to the Auditor-General. Under ANAO audit policy, the Auditor-General can refer matters arising in performance audits to the committee for advice. The committee was consulted on 14 matters in 2019–20.

In 2019–20, the ANAO continued the arrangement with the Australian Securities and Investments Commission (ASIC) to conduct an external independent review of the ANAO's quality assurance framework initiated in 2017–18. This year, three audits of financial statements for the year ended 30 June 2019 were reviewed. These reviews were conducted using ASIC's methodology for reviewing private sector audits. In respect of the file reviews, ASIC made findings on the sufficiency and adequacy of audit documentation, including considerations related to retaining or updating historical accounting positions and the details of supporting evidence reviewed. Other findings included design of audit procedures over journal entries and capitalisation costs.

In respect of the quality framework, ASIC reviewed the ANAO's responses to recommendations made in the prior-year review, and also reviewed in detail the ANAO's root cause analysis conducted in 2019–20. ASIC concluded that the initial pilot was effectively scoped to cover internal monitoring findings from QA reviews conducted on in-house ANAO financial statements audits. ASIC provided the ANAO with a number of good practice considerations to further enhance and expand on the initial root cause analysis program. The ANAO will integrate these considerations made by ASIC in the expansion of the root causes analysis program and methodology. Within the scope of its review, ASIC identified no areas where the design of the framework did not satisfy the requirements of Auditing Standard ASQC 1⁵.

In 2019–20, the ANAO's internal auditor conducted a review on compliance with selected ANAO Audit Manual policies, including completion of independence declarations; process for agreement of work with Systems Assurance and Data Analytics (SADA); signoff of planning documentation prior to interim work; signing officer responsibilities on contract out audits; approval of changes to audit scope and documentation of entry and exit meetings. Two medium-risk recommendations were made regarding training and communication of the importance of completing independence declarations

5 Auditing Standard ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*.

and ensuring timely review and sign off of the planned audit approach prior to audit work commencing. One low risk recommendation was made regarding entry and exit meetings.

Criterion 16 Percentage of inquiries and audit requests from parliamentarians finalised within 28 days	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, shared by programs 1.1 and 1.2, p. 117
Result	Achieved a result of 100% against a target of 90%

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

In determining the ANAO's audit work program, the Auditor-General must consider the priorities of the Parliament, as determined by the JCPAA. Formal consultation with the JCPAA about the audit priorities of the Parliament occurs in approximately April to May each year to inform the development of the ANAO's annual audit work program. The ANAO provided the draft work program for 2020–21 to the JCPAA in April 2020. A revised draft work program was provided to the Committee in May 2020 that included a focus on the impacts of the COVID-19 pandemic on public sector administration. Throughout the year, the Auditor-General also receives direct requests from members of parliament and senators for audits of particular areas of public administration as new issues emerge. Where the Auditor-General determines that further examination is warranted as a result of an audit request, a response can be provided through a range of mechanisms, including by initiating a performance audit, assurance review or information report, or through correspondence.

In 2019–20, the Auditor-General received 17 requests for audit from members and senators of the Parliament of Australia. A response to 100 per cent of requests was provided in 28 days. Table 3.8 outlines the ANAO's responses to these requests.

Table 3.8: Parliamentary requests for audit, 2019–20

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
3 July 2019	12 July 2019	Senator Mehreen Faruqi	Live Exports Branch of the Department of Agriculture	Included in the Annual Audit Work Program 2019–20.
3 September 2019	20 September 2019	Mr Julian Hill MP	The family migration program	Do not intend to conduct an audit of the matters referred at this time. Re-consider including coverage in the development of the ANAO's 2020–21 Annual Audit Work Program.
1 October 2019	29 October 2019	Hon Joel Fitzgibbon MP	Federal Government drought funding measures	Do not intend to conduct an audit of the matters referred at this time. Re-consider including coverage in the development of the ANAO's 2020–21 Annual Audit Work Program.

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
25 October 2019	22 November 2019	Senator Katy Gallagher	Government spending on external contractors and consultants	Do not intend to conduct an audit of the matters referred at this time. Will consider sector wide risks in this area of reporting in developing the 2020–21 annual audit work program
31 October 2019	18 November 2019	Mr Andrew Giles MP	Global visa processing system.	Potential performance audit not commenced
14 November 2019	11 December 2019	Senator Kimberley Kitching	Department of Parliamentary Services portfolio	Do not expect to commence both of these audits in the current financial year, but will probably choose one to commence
26 November 2019, 20 January, and 28 February 2020	19 December 2019, 14 February 2020, and 11 March 2020	Senator Sarah Hanson-Young	Procurement of Water entitlements in the Murray-Darling Basin	Do not intend to conduct an audit of the matters referred at this time. Will consider sector wide risks in this area of reporting in developing the 2020–21 annual audit work program.
19 December 2019 and 6 March 2020	14 January 2020 and 2 April 2020	Hon Catherine King MP	Regional development and jobs growth	Included two of the four topics requested in the draft Annual Audit Work Program 2020–21
4 February 2020	27 February 2020	Mr Andrew Giles MP	Urban Congestion Fund	Consider including an audit on this topic in the Annual Audit Work Program 2020–21
7 February 2020	27 February 2020	Senator Janet Rice and Senator Larissa Waters	Community Sport Infrastructure — female facilities and water safety program	Consider including an audit on this topic in the Annual Audit Work Program 2020–21
14 February 2020 and 9 June 2020	27 February 2020 and 3 July 2020	Senator Larissa Waters and Senator Janet Rice	Community Development Grants Programme	Consider including an audit on this topic in the Annual Audit Work Program 2021–22
16 February 2020	27 February 2020	Senator Sarah Hanson-Young	Grant funding arrangements within the Environment Restoration Fund and Communities Environment Program	Consider including an audit on each program in the Annual Audit Work Program 2020–21
25 February 2020	20 March 2020	Senator Larissa Waters	Adani Carmichael coal mine	Performance audit commenced will not extend the scope of the current audit

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
31 March 2020	23 April 2020	Senator Katy Gallagher	Australian Government's economic response to COVID-19	Intend to develop and publish an audit program of the Australian Government's COVID-19 response. The audit program will focus on providing Parliament with transparency and assurance on management of the response.
23 April 2020	12 May 2020	Ms Zali Steggall OAM, MP	Australian Government's Underwriting New Generation Investment program	Included as a potential topic in the Annual Audit Work Program 2020–21
4 May 2020	25 May 2020	Senator Katy Gallagher	Commonwealth Government's debt management focusing on the increased government debt levels in response to the COVID-19 pandemic	Consider including as a potential topic in the Annual Audit Work Program 2020–21
11 June 2020	3 July 2020	The Hon Brendan O'Connor MP	The operation of the Small and Medium Enterprises (SME) Export Hubs program	Consider including as a potential audit topic in the Annual Audit Work Program 2021-22

Note: Parliamentarians are advised on the outcome of the request when the AAWP is released.

Criterion 17 Percentage of JCPAA members surveyed who were satisfied that the ANAO improved public sector performance and supported accountability and transparency	
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, shared by programs 1.1 and 1.2, p. 117
Result	Achieved a result of 100% against a target of 90%

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

The ANAO engaged a research firm, ORIMA Research Pty Ltd, to conduct a survey of JCPAA members in 2020. The result of 100 per cent against a target of 90 per cent was based on the percentage of JCPAA members who responded to the survey that agreed or strongly agreed to the following statements:

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

The response rate of JCPAA members to the 2020 survey (50 per cent), representing eight of the 16 members surveyed, remained consistent with the participation rate of 53% (8 of 15 members surveyed) in 2019. Comparative analysis of the 2019 and 2020 survey in respect to the satisfaction ratings that the ANAO improved public sector performance and supported accountability and

transparency, indicate that the results were similar in terms of the level of agreement. In addition, JCPAA members were positive in their ratings in relation to the ANAO's role and function, particularly with regard to perceptions of the ANAO's integrity as an organisation; the ANAO's audit priorities; representation by the ANAO at public hearings; and the overall value of information it provides on public sector performance. Ratings for the ANAO's audits of financial statements were very positive, showing improvements for the majority of aspects compared to 2019. Performance audit reports, the Defence Major Projects Report and other assurance review reports were rated consistently high, with some opportunity for improvement in relation to reports being easy to understand noted.

The ANAO supports accountability and transparency in the Australian Government sector through independent reporting to the Parliament. To provide some insights into the Parliament's utilisation of ANAO reports, analysis of mentions of ANAO reports by parliamentarians or parliamentary committees was conducted for internal reporting purposes. The results of the analysis reveal that, in 2019–20, there were in excess of over 250 individual mentions of ANAO reports, significantly more than the 180 mentions reported in 2018–19. Over fifty of the mentions related to Auditor-General Report No.23 *Award of Funding under the Community Sports Infrastructure Program* reflecting the significant parliamentary interest in the audit in the period February to March 2020.

Criterion 18	Number of published audit insights and key learnings from across ANAO activities
Source	ANAO Corporate Plan 2019–20 Portfolio Budget Statements 2019–20, programs 1.1 and 1.2, p.117
Result	Achieved a result of 4 against a target of 4

The ANAO's *Audit Insights* products provide information on shared learnings for all Commonwealth entities as identified through financial statements audits and performance audits. In 2019–20, the ANAO published four reports in its *Audit Insights* series:

- [Management of conflicts of interest in procurement activity and grants programs](#)
- [Fraud control arrangements](#)
- [Rapid implementation of Australian government initiatives](#)
- [Implementations of recommendations](#)

The ANAO has continued to revise and improve the development of *Audit Insights* since the first edition was released in 2017. Key changes have been to focus on a strategic thematic topic as a method to identify the narrative and tell the story, identifying the audience and focusing on targeted and customised distribution methods for each edition.

Transparency reporting

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

Report on financial performance

The work of the ANAO is mainly funded by government appropriation, with a small amount of revenue generated from audit fees paid by clients for audits by arrangement under section 20 of the *Auditor-General Act 1997*. Audit fees are set to recover the expenses incurred as part of paid audits.

Overview of financial performance and future financial viability

The ANAO reported a total comprehensive income loss of \$5.548 million in 2019–20. Excluding the impact of depreciation, the ANAO's result for the 2019–20 financial year was an operating deficit of \$3.117 million (Figure 3.1).

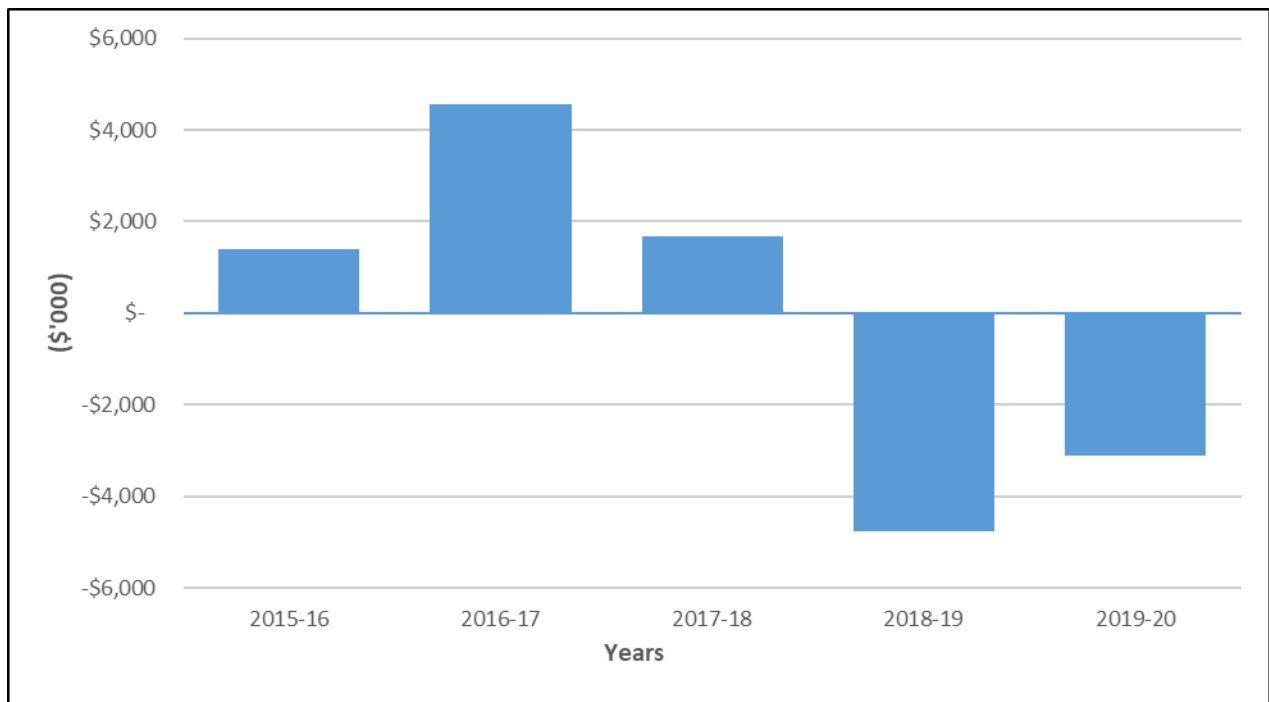
The ANAO's revised budget submission to the JCPAA for the 2019–20 financial year reflected that any further savings measures applied to the ANAO that reduced the funding base would impact on our ability to deliver the planned audit program. This required the ANAO to seek approval from the Minister for Finance for an operating loss for 2019–20 by virtue of accessing the prior-year unspent appropriations to meet resourcing pressures, which was approved by the minister on 8 May 2020.

The ANAO had built up its reserves by conservative budget management, including by limiting expenditure on investments. Use of reserves has been focussed on investment in activities to improve future business delivery. Options for efficiency and productivity have been explored and implemented or are in the process of being implemented; however, they are not keeping pace with reductions to appropriation while the costs of delivering quality audit products continue to increase. The ANAO is now in a position where, in order to deliver the mandated financial statement audit functions, we need to reduce the number of discretionary performance audits provided to the Parliament.

The 2019–20 operating result was impacted by two factors – ongoing cost increases relating to increased complexity of auditing, and the ANAO's accommodation and IT projects. These expenses were in line with management expectations and the budgeted operating deficit of \$3.400 million, excluding depreciation approved by the Minister for Finance. Given the volume of Commonwealth information collected by the ANAO, it is imperative that our IT systems are maintained at a level capable of searching, analysing and storing this information, and applying appropriate security controls. This, along with increasing complexity of government entity transactions and activities, increasing numbers of Commonwealth corporate entities, and higher market costs for audit services and qualified resources, have been key cost drivers for the ANAO. It is also imperative that the quality of our audit work is maintained over time, particularly in an environment where extracting evidence is becoming more complex and dependent on use of technology-based tools, where and scrutiny of audit findings is increasing. The ANAO's accommodation project was completed during 2019–20, with the ANAO moving into its new premises in December 2019.

The impact of the COVID-19 pandemic on the ANAO's budget position saw a reduction in travel and training expenses in the final quarter of 2019–20, in line with government travel restrictions and social distancing requirements. The reduction was partially offset by increases in IT costs to enable ANAO staff to work remotely. These reduced travel and training expenses have resulted in a small reduction to the approved budgeted operating deficit of \$3.400 million.

The operating deficit of \$3.117 million was also impacted by the bond rate movement and adjustments to the ANAO's employee benefits provisions.

Figure 3.1: Operating result, excluding depreciation and amortisation, 2015–16 to 2019–20

The ANAO manages its finances and resources to remain financially sustainable into the forward estimates, and continues to implement operational efficiencies.

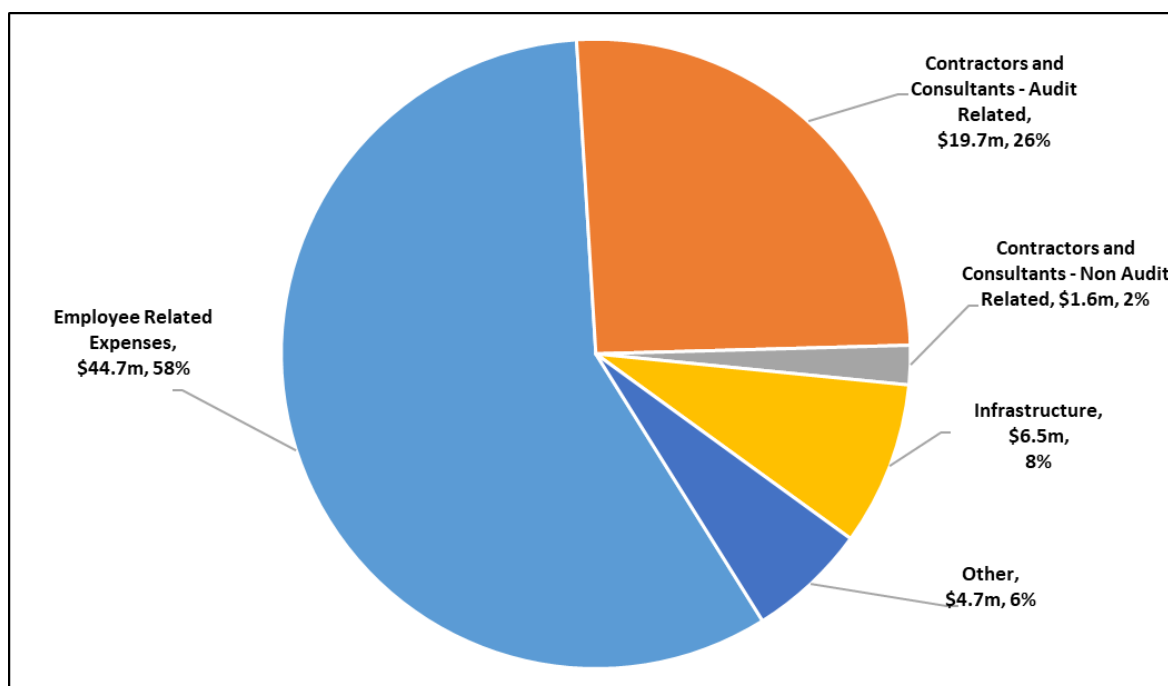
Expense impacts

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

Where required, the ANAO also engages contractors and consultants such as valuers and actuaries to provide expertise required to complete the audit program. In 2019–20 contractors and consultants for non-audit services were engaged to fill key resourcing gaps and provide the ANAO with the right technical expertise to deliver its Accommodation and IT projects.

The ANAO's total expenses for 2019–20 were \$77.155 million excluding depreciation.

Figure 3.2: Expenses by type, 2019–20



Financial position

The ANAO's overall financial position continued to remain sound in 2019–20.

- Total assets increased as at 30 June to \$73.221 million; and
- Total liabilities increased to \$50.942 million.

The substantial increase in the ANAO's assets and liabilities during 2019–20 was primarily driven by the adoption and implementation of the new accounting standard AASB 16 – *Leases*, which recognises leases as a right-of-use asset, with a corresponding interest bearing liability.

Excluding the impact of AASB 16 – *Leases*, the majority of the ANAO's assets and liabilities are financial assets, with the largest balance being appropriation receivable (\$23.771 million). The ANAO's appropriation receivable has reduced by \$12.411 million since 2018–19, reflecting the use of the accumulated reserves to fund the Accommodation and IT Transformation Projects and the ANAO's operating loss.

Excluding the impact of AASB 16 – *Leases*, the majority of the ANAO's liabilities are comprised of employee provisions (\$12.696 million) and payables (\$3.606 million). The ANAO's employee provisions have increased by \$0.931 million in 2019–20, due to a change in probability factors and discount rates based on a report provided by the Australian Government Actuary, and the impact of the bond rate adjustment.

The ANAO continues to operate with sufficient cash reserves to fund its liabilities and commitments as and when they fall due.

Table 3.9: Summary of financial performance, 2019–20 and 2018–19

	2019–20 (\$'000)	2018–19 (\$'000)	Variance (\$'000)	Variance (%)
Statement of comprehensive income				
Total own-source revenue	4,879	4,985	(106)	(2.1%)
Total revenue from government	69,236	70,017	(781)	(1.1%)
Total expenses	79,663	81,027	(1,364)	(1.7%)
Net surplus/(deficit)	(5,548) ^(a)	(6,025)	477	(7.9%)
Statement of financial position				
Total assets	73,221	43,006	30,215	70%
Total liabilities	50,942	16,457	34,485	210%
Net assets	22,279	26,549	(4,270)	(16%)
Equity	22,279	26,549	(4,270)	(16%)

Note (a): The ANAO's operating result was a deficit of \$3.117 million in 2019–20, excluding depreciation and amortisation.

Revenue impacts

Government revenue from departmental and special appropriations decreased between 2018–19 and 2019–20 by \$0.781 million to \$69.236 million.

Own-source revenue in 2019–20 was \$4.879 million, \$0.894 million more than the own-source revenue earned in 2018–19. The increase in own-source revenue was primarily due to an increase in audits by arrangement under section 20 of the *Auditor-General Act 1997* (\$0.851 million).

Entity resource statement

The entity resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Appendix C details the resources available to the ANAO during 2019–20 and sets out the ANAO's summary of total expenses for Outcome 1.

Financial statements

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Independent Auditor's Report

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

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.



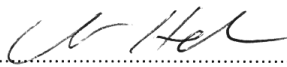
Eileen Hoggett
Independent Auditor

Sydney
7 August 2020

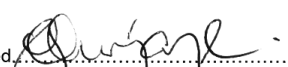
Australian National Audit Office
STATEMENT BY THE AUDITOR-GENERAL AND THE CHIEF FINANCE OFFICER

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	2019	2020 Original Budget
	Notes	\$'000	\$'000	\$'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	-	-	-	-	-	-	-	(157)
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	Average 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.

Part 4 — Governance, capability and risk management

The Auditor-General is responsible for both administering the *Auditor-General Act 1997* (the Act) and managing the ANAO within the arrangements of the broader Australian Public Service. Part 6 of the Act establishes the ANAO under the *Public Service Act 1999* and requires it to operate as an entity under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In line with the requirements and expectations of the PGPA Act, the Auditor-General manages the ANAO in achieving its purpose through the application of good corporate governance. Good governance underpins the ANAO's approach to delivering quality outcomes and effective decision-making.

Good governance at the ANAO is achieved through a robust governance framework, directed by a clear governance structure, managed through strong governance practices, and delivered as part of the strategic planning framework. Strategic planning outcomes are realised through a mature approach to risk management and strengthened through an integrated approach to organisational capability. The ANAO's strong commitment to strategic planning and the ongoing development of capability ensures that we are able to continue to achieve and deliver our purpose. Investments in capability support the ANAO to uphold public sector principles and values, while building sufficient flexibility and expertise to meet future needs.

Part 4 outlines the ANAO's approach and continued commitment to corporate governance, capability investment and risk management.

Governance

The ANAO's governance framework supports the organisation to uphold public sector principles and values, including legislative requirements for accountability, leadership, transparency, integrity, efficiency and risk management. The framework ensures that our operations remain compliant with relevant laws, standards and directions.

The ANAO's clearly defined governance structure and practices support the Auditor-General in the effective oversight of the organisation, management of its resources and the delivery of quality audit products. The ANAO's corporate governance framework, processes and related organisational capability enable us to achieve our purpose, and meet public and community expectations of probity, accountability and transparency.

Governance structure

The ANAO's main governance bodies, as at 30 June 2020, are the Executive Board of Management, six standing committees, three operational committees, and the independent Audit Committee.

The ANAO's governance structure and strategic planning framework are outlined in Figure 4.1.

Executive Board of Management

The Executive Board of Management assists the Auditor-General to meet his statutory responsibilities, and provides leadership to the ANAO in pursuing its strategic direction and delivering against the commitments and initiatives outlined in the corporate plan.

The Executive Board of Management is responsible for supporting the ANAO's strategic direction; overseeing business; identifying strategic and operational risks; managing the ANAO's budget and workforce; and delivering against the commitments and initiatives outlined in annual business plans. The executive board meets monthly and terms of reference are reviewed annually. The standing membership is:

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

The members of the Executive Board of Management as at 30 June 2020 are shown in Table 4.1.

Table 4.1: Membership of the Executive Board of Management, at 30 June 2020

Board member	Position
Mr Grant Hehir	Auditor-General, Chair
Ms Rona Mellor PSM	Deputy Auditor-General
Ms Carla Jago	Group Executive Director, Assurance Audit Services Group
Ms Lisa Rauter PSM	Group Executive Director — Practice Management, Performance Audit Services Group
Dr Tom Ioannou	Group Executive Director — Defence and Finance Performance, Performance Audit Services Group
Ms Jane Meade	Group Executive Director, Professional Services and Relationships Group
Ms Deborah Rollings	Senior Executive Director, Corporate Management Group
Mr Bola Oyetunji	Senior Executive Director, Systems Assurance and Data Analytics Group
Ms Ged Quinane	Acting Chief Finance Officer, Corporate Management Group

Staff are informed about key decisions of the Executive Board of Management through communications from the Auditor-General, which are published on the ANAO intranet after each meeting. Information on the remuneration of key management personnel is available at Note 2.2 of the 2019–20 financial statements.

Standing committees

To support the Executive Board of Management and ensure organisational accountability and transparency, the ANAO has established a number of standing committees. These committees provide oversight to specific areas of strategic operations and are responsible for identifying and managing risk on an ongoing basis. Standing committees report to the executive board through summary reports and meeting minutes, with their terms of reference reviewed annually.

The business of the ANAO is governed through the following standing committees:

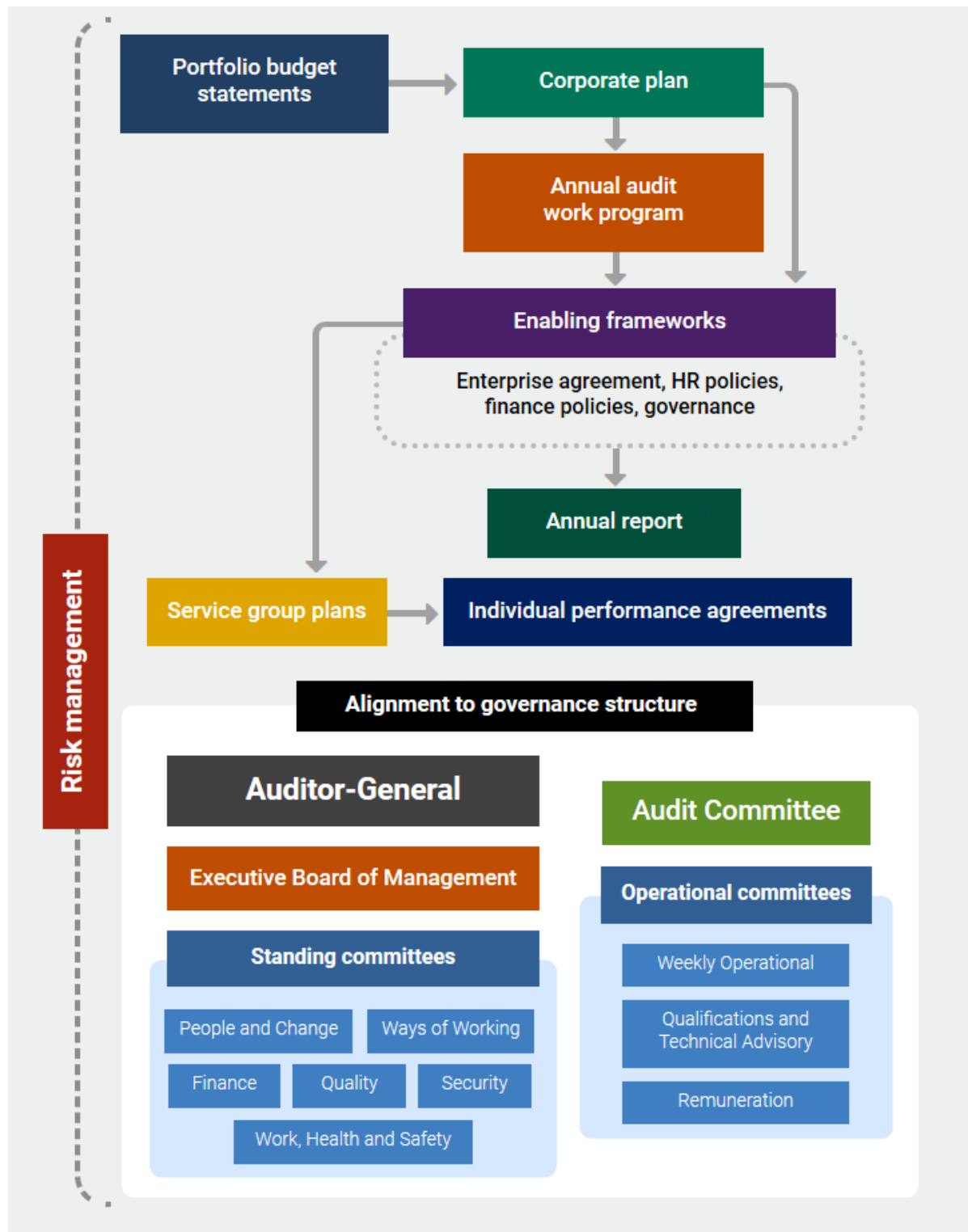
- **People and Change Committee** — provides strategic advice to the Executive Board of Management on people and capability development and on managing change in the ANAO.
- **Quality Committee** — provides assurance and assistance to the Executive Board of Management on the ANAO's quality framework and the strategic and operational risks associated with quality.
- **Finance Committee** — advises the Executive Board of Management on financial matters, and monitors the strategic and operational risks associated with resources.
- **Security Committee** — provides assurance and assistance to the Executive Board of Management on the ANAO's security framework and monitors associated strategic and operational risks.
- **Work Health and Safety Committee** — monitors and reviews the work health and safety (WHS) policies and practices and advises the Executive Board of Management on WHS matters.
- **Ways of Working Steering Committee** — supports the implementation of the ANAO's accommodation and IT transformation projects and provides advice to the Executive Board of Management.

Operational committees

There are three ANAO operational committees:

- **Remuneration Committee** — advises the Auditor-General on processes to support changes in remuneration and performance payments.
- **Qualifications and Technical Advisory Committee** — provides a forum for audit engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit-related matters. ANAO policy identifies the matters that must be referred to the committee, and the committee meets as required to provide advice to the Auditor-General.
- **Weekly Operational Committee** — oversees the operational activities of the ANAO, with a particular emphasis on staffing, performance and external relations. The committee also considers the status of the audit program in service group reporting and any other matter of strategic importance to the ANAO.

Figure 4.1: ANAO governance structure and strategic planning framework at 30 June 2020



Audit Committee

The Audit Committee provides independent assurance and advice to the Auditor-General, including reviewing the appropriateness of the ANAO's financial and performance reporting, systems of risk oversight and management, and systems of internal control. Section 45 of the *Public Governance, Performance and Accountability Act 2013* and section 17 of the Public Governance, Performance and Accountability Rule 2014 set out the role of the audit committee for Commonwealth entities.

The ANAO's Audit Committee charter sets out the committee's role, authority, membership and functions, and its procedural, reporting and administrative arrangements. The charter is available on the Governance page on the ANAO website (anao.gov.au/about/governance).

In order to maximise the independence of the assurance and advice provided by the Audit Committee, the Auditor-General appoints only external independent members. The Audit Committee met five times during 2019–20.

Details of the Audit Committee's membership in 2019-20, including remuneration for the period and Audit Committee meeting attendance, and experience of members, is provided in Table 4.2.

Table 4.2: Membership of the ANAO Audit Committee for 2019-20

Members	Members experience	No. of meetings attended	Remuneration for the period 2019–20 (GST exclusive)
Mr Will Laurie (chair)	<ul style="list-style-type: none"> Leadership roles in professional firms, including Price Waterhouse, PwC and Boyce Chartered Accountants. Chair of Commonwealth and ACT Audit Committees including Defence, Treasury, Attorney-Generals and Chief Minister's. Specialist knowledge of Commonwealth financial and performance management. Commercial Board Experience in On-line retailing; Economic and Social Modelling; and Property Management. B.Ec (Syd); Grad Dip Applied Finance. 	5	\$16,092 ^(a)
Ms Maria Storti (member)	<ul style="list-style-type: none"> Independent member of several Commonwealth audit committees and is a non-executive director. Former Ernst & Young advisory partner and has worked with professional services firm PwC in the areas of audit, consultancy and risk. Senior executive roles in various sectors and in these roles has had responsibility for corporate planning. A Fellow of Chartered Accountants Australia & New Zealand, a Fellow of the Australian Institute of Company Directors and a member of the Australian Institute of Internal Auditors. Master of Business Administration and Economics degree. 	5	\$12,500

Mr Sean Van Gorp (member)	<ul style="list-style-type: none"> • Former Managing Partner of Ernst & Young's audit and advisory business for 10 years. • 25 years' experience working in a diverse range of industries, including telecoms and IT, financial services, insurance, retail, mining and chemicals, and the public sector and was based in Asia and London for four years. • Board member of National Institute of Dramatic Arts for six years. • Current Chair of the ANU Enterprise Audit Committee, and is a member of the Audit Committee of the Workplace Gender Equality Agency. • Bachelor of Economics and Master of Business Administration 	5	\$12,500
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(a) The Chair's contract was renewed on 11 December 2019 and annual remuneration was reviewed and increased by 2 per cent.

Strategic planning framework

Strategic planning drives the ANAO's activities and enables the ANAO to adjust its activities and resourcing to align with emerging priorities and support achievement of its purpose. The ANAO identifies its organisational priorities and performance measures in its corporate plan, and reports on its performance in the annual performance statements of the annual report. The Executive Board of Management tracks all strategic projects, including milestones and dependencies, and ensures that the business of the ANAO's governance committees is aligned with the ANAO's strategic priorities.

In addition, the Auditor-General publishes an annual audit work program. The work program forms part of the strategic planning framework, designed to reflect the organisation's audit strategy and inform the Parliament, government entities and the public of the planned audit coverage for the Australian Government sector.

Key elements of the ANAO's strategic planning framework for 2019–20 are presented in Figure 4.1. Further details on the ANAO corporate plan and annual audit work program are provided below.

Corporate plan

The [corporate plan](#) is the ANAO's primary planning document and sets out how we will achieve our purpose over a four-year period. The corporate plan is complemented by the annual audit work program, which reflects the ANAO's audit strategy and deliverables for the coming financial year.

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

Annual audit work program

The [annual audit work program](#) sets out the ANAO's audit strategy and deliverables for the coming financial year. It informs the Parliament, the public and government sector entities of the planned coverage of the Australian Government sector. The program presents information on the financial statement audits, performance audits and other assurance engagements for each portfolio. It also includes information on audits in progress and audits recently tabled.

A whole-of-organisation planning process brings together the knowledge and insights gained across all ANAO audit activity to identify priority areas of audit coverage. In determining the 2020–21 program, the ANAO considered prior-year audit and other review findings and what these indicate about the portfolio risks and areas for improvement, as well as emerging risks from new investments, reforms or operating environment changes.

The ANAO provided a draft of the annual audit work program to the Parliament for consultation through the Joint Committee of Public Accounts and Audit (JCPAA), consistent with the Auditor-General's requirement to have regard to the audit priorities of the Parliament. We also invited feedback from accountable authorities of Australian Government entities, members of the public, the Australasian Council of Auditors-General, the Commonwealth Ombudsman, the Inspector-General of Taxation and the Inspector-General of Intelligence and Security.

Organisational capability

The ongoing development of the ANAO's capability ensures that we are able to continue to achieve and deliver our purpose. Investments in capability support the ANAO to uphold public sector principles and values, while building sufficient flexibility and expertise to meet future needs.

The ANAO's [Corporate Plan 2019–20](#) outlined capability investments that we would make to ensure that we continue to deliver on our purpose. The areas of investment were:

- integrity;
- productivity;
- workforce capability;
- quality; and
- engagement.

The ANAO is committed to building capability that is forward focused, supporting the work of our auditors and corporate services professionals now and into the future. The information below reports on the implementation and progress of all five of these capability investments.

Integrity

Maintaining credibility and independence is essential in exercising the Auditor-General's powers and delivering against the mandate of the *Auditor-General Act 1997*. In order to demonstrate these qualities, the ANAO regards integrity as a core value of the organisation — critical in sustaining the confidence of the Parliament, strengthening public trust in government and delivering quality audit products.

In March 2019, the ANAO participated in 'IntoSAINT' — a self-assessment tool for audit institutions and other public sector organisations — to identify and evaluate the ANAO's institutional vulnerability and the resilience of its integrity control system. Findings from this self-assessment indicated that the ANAO builds and maintains integrity through a mature control system. As part of the ANAO's Corporate Plan 2019–20, we committed to investing in integrity as a key organisational capability. To support this capability, we developed an integrity framework — a key recommendation from the IntoSAINT self-assessment.

The integrity framework provides an overarching structure to the existing ANAO integrity control system. The framework serves to assist staff in ethical decision-making and risk, fraud and misconduct management. It consolidates the existing integrity control system — including legislation, policies, procedures and guidelines — outlining the expected behaviours of staff as representatives of the ANAO.

The framework highlights integrity as one of our core values. It outlines the expectation that our people will demonstrate integrity in their behaviours — as auditors, public servants, officials and professionals. It details the ANAO Integrity Statement, which encompasses the five key principles of independence, honesty, openness, accountability and courage. The framework emphasises that integrity at the ANAO means more than simply complying with requirements — rather, we expect our people to live this value through their actions.

Productivity

The ANAO maintains an ongoing focus on building productivity as a key capability investment. Improved productivity is critical to demonstrating the efficient use of taxpayer funds in the delivery of our work to the Parliament and the public. The ANAO has made investments in our ways of working to ensure the organisation remains efficient and effective, increasing productivity and enhancing performance.

As outlined in the ANAO Corporate Plan 2019–20, to support improvements in productivity, the ANAO invested in:

- providing an activity-based working environment;
- implementing an updated IT strategy;
- implementing a data analytics strategy;
- developing a new resourcing model for assurance audits;
- implementing new audit tools (TeamMate+); and
- introducing more productivity technology to support efficiency (new time recording and scheduling).

Activity-based working environment

In December 2019, the ANAO relocated to new premises at 38 Sydney Avenue, Forrest. Fit-out works were undertaken prior to the relocation to develop an activity-based working environment. The new fit-out provides staff with a wider range of workspaces, supports more flexible ways of working, and has increased communication and collaboration across service groups. Fit-out works were delivered under budget, and the ANAO's new 15-year lease also provides savings to the Commonwealth compared to its previous lease.⁶

Prior to the ANAO's relocation to the new building, we provided a number of staff engagement activities to support the transition to an activity-based working environment. Leading and Growing Flexible Teams workshops were held in October 2019 for Senior Executive Service and executive-level staff, followed by Working in Flexible Teams workshops in November 2019 for staff at all levels of the organisation. The workshops were attended by 284 people, and provided an in-depth overview of the different work zones available at the new building. The workshops also informed the development of a series of workplace principles that outlined how the new, more flexible workspaces would be used and how staff would work effectively together.

⁶ The ANAO returned \$3.450m in property savings to Government from 2018-19 across the forward estimates.

We provided onsite assistance to staff on their first day of work in the new building, including ergonomists who conducted roaming workstation assessments, IT support, removalists to assist with unpacking, and tours of the building and the different work zones. The majority of staff feedback indicated that the relocation process, and subsequent induction to the new premises, was smooth, and that the more flexible working environment has increased collaboration and provided staff with a wider variety of work spaces to better match the different tasks they perform.

On 23 March 2020 all staff were requested to work from home in response to the COVID-19 pandemic. A transition plan has been developed to support the gradual and safe transition of staff back to the office in line with the easing of COVID-19 restrictions.

Information technology strategy

The ANAO uses outsourced services to deliver a flexible and responsive IT environment and secure gateway services up to the 'protected' classification level. Over the past two years, the ANAO has recognised that cloud computing technology is a key enabler for the organisation. Transitioning workloads to cloud services has provided the ANAO with high levels of system availability and reliability, along with flexibility and improved performance. During the COVID-19 pandemic, the ANAO has continued to benefit from its cloud adoption strategy, secure gateway services and flexible laptop equipment, which supported a transition of the full workforce to remote working in response to the pandemic.

Improving the ANAO's cyber resilience remains a key focus in the face of constant changes to the threat landscape. In February 2020, the ANAO commenced a two-year security improvement project to build increased security responsiveness. The first phase to 30 June 2020 delivered an uplift in the ANAO's cyber resilience maturity level, as measured against the Australian Cyber Security Centre's Essential Eight mitigation strategies, including more responsive patching, improved threat monitoring and detection capabilities, and increased security controls to further mitigate cybersecurity incidents.

The ANAO developed a 2019–2021 data governance framework, which outlines the key principles and mechanisms used to support the governance of data within the organisation. The framework has a strong focus on data security and managing data as an asset. It is designed to ensure the efficient management of data and promote the value of data assets, including their analysis and the exchange of data insights. We are implementing the data governance framework through a data action plan, which includes a program of comprehensive data asset discovery, tracking and management, as well as improving data collection technological capability. We expect that the data governance framework will deliver a number of organisational benefits, including enhanced risk management of data, storage cost reductions and further productivity efficiencies, as well as increased data loss prevention and cybersecurity.

Data analytics strategy

The ANAO is in the third year of its Data Analytics Strategy 2018–2020. The strategy focuses on developing innovative and effective use of data, technology, tools and resources to build capability, generate new audit products, enhance quality and increase efficiency. Under the strategy, the capability developed over the last two years has enabled the ANAO to take a new approach to the use of data analytics to provide assurance for audits, including:

- embedding the consideration of data analytics in the planning and scoping phase of all performance audits;
- developing standardised, or bespoke, data analytics solutions for financial statement audits; and
- developing efficient work processes and automating manual data processes where possible.

During 2019–20, the ANAO has achieved the following in applying data analytics to provide more efficient and effective audit assurance:

- Data analytics is now used by 80 per cent of the largest financial statement audits undertaken in-house (those reported in the ANAO's interim reports on key financial controls of major entities).
- Data analytics was used to provide new insights into the management of staff leave across multiple entities, the results of which were tabled in Auditor-General Report No. 38 of 2019–20: [Interim Report on Key Financial Controls of Major Entities](#).
- New data analytics solutions have been developed across a number of areas, including a new dashboard-based tool for analysing payroll-related expenditure on financial statement audits, which is in use by multiple teams.
- The ANAO also produced Auditor-General Report No. 27 of 2019–20: [Australian Government Procurement Contract Reporting Update](#), which used data analytics to provide insights into procurement activity across the public service.

The specialist data analytics team also provides support to corporate functions, including data-driven decision-making and improving the way data is collected and reported.

In an environment of ever-increasing challenges, the ANAO will continue to build organisational capability in data analytics, and leverage technologies and information resources to increase quality and productivity in our audit work.

New audit tools and systems

The ANAO's new Business Applications team started work in November 2019. This team works with the ANAO's business groups to provide strategic guidance and project management expertise for the selection, delivery and modernisation of business applications in the ANAO. This capability promotes continuous improvement through business and technology change to enable improved delivery of audit services.

The ANAO uses Saviom, an enterprise resource management tool, to allocate and monitor resources for audits. In 2019, the software underwent a minor update, while licencing was expanded to audit managers and senior managers, increasing visibility over resource allocation.

Nuix is used by performance audit teams as a software platform for indexing, searching, analysing and extracting knowledge from unstructured data. A portion of Nuix users were transitioned from desktop computers to a Nuix virtual solution to adjust to the changed work environment at the ANAO's new accommodation.

TeamMate is one of the key audit management tools used by the ANAO. After exploring the TeamMate+ cloud solution in 2019, the ANAO ultimately decided to stay on the current on-premises platform and upgrade to TeamMate version 12.4. This decision was based on the most appropriate functionality to meet business needs, while still addressing application support requirements.

As part of the broader IT strategy to better realise the benefits of existing applications and consolidate overlapping functions, the ANAO ended its longstanding relationship with the time and project recording system Changepoint. The ANAO is deploying Aurion Timekeeper as a replacement tool, which is expected to lead to ongoing efficiency gains.

The ANAO also completed negotiations to transition the TechnologyOne financial application to a cloud platform in early 2020–21. This will shift the application from an on-premises to a 'software as a service' arrangement, in line with the ANAO's IT strategy. The transition to a cloud platform is

expected to reduce application management overheads and reduce risks associated with maintenance, while also allowing rapid deployment of updates.

Workforce capability

At 30 June 2020, the ANAO employed 336 staff, including 27 senior executives (based on a headcount). The ANAO staffing profile, details of coverage of employment instruments, diversity statistics and salary information can be found at Appendix D. The ANAO's staff engagement and performance strategies are outlined in Appendix E.

The ANAO recognises that workforce capability is integral to the delivery of quality audits, other reports and support functions. In 2018, the ANAO delivered its workforce plan to address current organisational challenges and future capability needs.

Pandemic response

Following the activation of the ANAO's Business Continuity Management Plan, on 23 March 2020 all staff were requested to work from home in response to the COVID-19 pandemic. We undertook a review to identify critical business functions and roles, and developed strategies to maintain these in the case of disruption due to illness. Equipment such as monitors and task chairs were offered to all staff for use at home during the pandemic response to maintain a safe and ergonomic working environment.

We implemented building management measures such as removing furniture throughout the building to comply with physical distancing requirements, providing additional cleaning and hygiene supplies, installing hygiene signage, and implementing sign-in procedures for potential contact tracing purposes. In line with the easing of COVID-19 restrictions by the ACT and federal governments, we have developed a transition plan to support a graduated return of staff to the building. As at 30 June 2020, a limited number of staff are permitted to work at the ANAO's premises each day, prioritised by operational and wellbeing requirements, and in adherence with physical distancing and hygiene measures.

Employment arrangements

The ANAO Enterprise Agreement 2016–2019 nominally expired on 21 April 2019. In April 2019, the ANAO implemented a section 24(1) determination under the *Public Service Act 1999* after a lengthy consultation process. The determination holds in place conditions of the ANAO Enterprise Agreement 2016–2019 while enabling an annual 2 per cent pay increase commencing 22 April 2019.

In response to the COVID-19 pandemic and a request made by the Australian Public Service Commissioner on 26 March 2020, the Auditor-General made a section 24(1) determination pausing annual pay increases for all Senior Executive officers.

On 9 April 2020, the Australian Government made a section 24(3) determination pausing all Australian Public Service (APS) pay increases for a period of six months. The determination came into effect on 14 April 2020 and will defer ANAO staff pay increases until 22 October 2020.

Workforce plan

The workforce plan is focused on building a workforce that is forward-looking, risk focused, technologically adept, change-orientated and highly adaptive. By sustaining a culture of high

performance and professionalism, the ANAO will be able to support increased workforce engagement to deliver organisational outcomes.

The workforce plan was designed to be implemented over four years through the development of two enabling frameworks and three strategies:

- a human resource metrics framework;
- a core capability framework;
- a recruitment strategy;
- an onboarding and separation strategy; and
- a development and high performance strategy.

During 2019–20, the ANAO continued to progress the key elements of the workforce plan.

We implemented a fresh approach to the graduate recruitment process, with a revised advertising campaign and updated assessment methodology. In 2019, the ANAO piloted a video interview process with great success, which set the framework for rolling out the entire assessment process to an online model in 2020.

We also refreshed and updated the 2020 graduate induction process, and piloted a revised approach to agency-wide induction and onboarding throughout 2019–20. We will incorporate staff feedback into a new strategy for 2020–21, with a view to being able to induct and onboard new staff in a remote working environment during the COVID-19 pandemic.

With the majority of staff working from home through the COVID-19 pandemic, we developed a pastoral care process to support staff and new graduates, supported by a new flexible work policy and mental health strategy. A buddy system has also been put in place for staff to reach out for additional support during the current uncertainty.

The ANAO talent management program was relaunched after a pilot program in 2018–19. Participants commenced the program with a 360-degree review — where feedback is gathered from multiple sources — and will participate in sessions with the talent sponsor, the Deputy Auditor-General and outsourced training providers over a 12-month period.

The Australasian Council of Auditors-General (ACAG) identified a need to establish a mentoring program to support employees in the audit offices of smaller countries that are members of either ACAG or the Pacific Association of Supreme Audit Institutions (PASAI). In conjunction with ACAG, the ANAO is conducting a group mentoring program to assist audit practitioners from the Tonga Office of the Auditor General to develop audit, corporate and leadership knowledge and skills. Mentoring sessions commenced in June 2020 and will continue through July and August 2020, covering financial audit, performance audit, corporate governance and leadership.

We implemented new recruitment processes for candidates seeking to move to the ANAO laterally, and we are currently automating aspects of our eRecruit system to improve the candidate experience and streamline internal processes.

The ANAO has transitioned to Aurion for payroll services, and we have configured the system to ensure ease of reporting and accuracy of human resources data. This work will enable us to build on current reporting capability and provide accurate forecasting and trend information.

The ANAO worked closely with providers to move to a virtual training model. Non-technical training has focused on people management (coaching and developing others), managing mental health, personal productivity, and skills to help staff transition to remote working. We also engaged guest

speakers to discuss the importance of integrity and data capability. Technical training has included internal experts facilitating training on the ANAO's quality framework, risk management and the ANAO Audit Manual.

The Learning and Development team has been engaging with the Systems Assurance and Data Analytics Group to develop a training package around the different tiers of data capability by APS level. The package will include a self-assessment and e-learning, sharing best practice, accessing Australian Public Service Commission foundational courses, and internal rotations to the Data Analytics team where appropriate.

We will continue to refine and implement the workforce plan over the next year.

Quality

The ANAO maintains a strong focus on its quality assurance framework as a core business investment. A sound quality framework supports delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in reports prepared for the Parliament. The ANAO published its first [Quality Assurance Framework and Plan](#) at the beginning of 2019–20. During 2019–20, we prepared the [Quality Assurance Framework and Plan 2020–21](#), which complements the ANAO [Corporate Plan 2020–21](#), and outlines the quality assurance strategy and key activities planned for the year ahead.

The ANAO defines audit quality as the provision of timely, accurate and relevant audits, performed independently in accordance with the *Auditor-General Act 1997* (the Act), the ANAO Auditing Standards, and methodologies that are valued by the Parliament. Delivering quality audits results in improved public sector performance through accountability and transparency.

The ANAO's work is governed by the [ANAO Auditing Standards](#) established by the Auditor-General, in accordance with section 24 of the Act. The ANAO Auditing Standards incorporate Auditing Standard ASQC 1 – *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*. ASQC 1 requires the ANAO to establish and maintain a system of quality control to provide it with reasonable assurance that the organisation complies with the ANAO Auditing Standards and other applicable requirements, and that reports issued by the Auditor-General are appropriate in the circumstances.

The ANAO Quality Assurance Framework and Plan encompasses policies and procedures that address leadership responsibilities for quality, relevant ethical requirements, audit mandate and selection, human resources, audit performance and monitoring.

As outlined in the 2019–20 Corporate Plan, the ANAO has published its first [Audit Quality Report](#). This report assesses the implementation and operating effectiveness of the elements of the ANAO Quality Assurance Framework outlined above. The report provides transparency in respect of the processes, policies and procedures that the ANAO has implemented to address or support each element, including reporting on Audit Quality Indicators (AQIs) and measuring ANAO performance against target benchmarks. AQIs are measures in respect of individual audits, and the ANAO more broadly, that provide insights about key matters that may contribute to the quality of an audit. Measuring AQIs informs and enhances reporting about audit quality and assists in understanding the root causes of quality inspection findings. The achievement of the quality assurance strategy and deliverables, as set out in the Quality Assurance Framework and Plan 2019–20, is also included in the audit quality report to enhance accountability.

Figure 4.2: ANAO quality framework

Methodology

The ANAO Auditing Standards are supported by a methodology incorporating audit manuals applicable to performance audit and assurance audit work. This methodology is regularly reviewed and updated as required for changes in the ANAO Auditing Standards, industry better practice, and new and emerging products, and to address findings from the ANAO's quality assurance program. In 2019–20, key updates to the methodology included:

- implementation of a new template and technical guidance to respond to the impact of the COVID-19 pandemic on financial statement audits;
- revision to the financial and performance audit policy related to quality monitoring, to incorporate emerging quality assurance reviews, such as reviews by the Australian Securities and Investments Commission and real-time reviews, and amend the selection basis for quality reviews of audits contracted out to audit firms;
- development and implementation of a new audit file structure for performance audits to support the consistent documentation of the conduct, supervision and review of performance audits, and the development of a new performance engagement risk assessment template;
- upgrade of the audit software the ANAO utilises to support ANAO audit methodologies; and
- development of a new performance statements auditing volume of the ANAO Audit Manual being trialled in the performance statements auditing pilot.

Engagement

The ANAO considers engagement as a core capability for delivering on our purpose. Consistent with the outcomes of the strategic communication review undertaken in 2018–19, the ANAO sought to identify specific audiences and develop strategies and tactics to meet their communication needs. As

a result, in October 2019, we launched a new section of the ANAO website featuring information designed to support the information needs of Senate estimates committees. This section of the website displays summaries of all audits tabled since the previous estimates hearings, relevant to each committee's allocated portfolios. This provides committee members and secretariat staff with direct and real-time access to audit report summary information, and allows for printing and PDF-optimised information exports to support committee business requirements.

A new *Audit Insights* strategy was implemented in November 2019. The new strategy enables the ANAO to plan and develop a contemporary product designed to share good practice approaches to public administration across the Australian Government sector. A key component of the strategy is to more closely align the development of an insights product to audit planning and selection processes. This approach will provide a series of tabled audit reports to draw from, to create thematic insight products promoting good public administration principles.

Effective internal communication and staff engagement were important in keeping staff informed and engaged during the accommodation move in December 2019. Methods of communication included a regular all-staff email newsletter dedicated to accommodation news and information, as well as the use of existing channels such as the intranet and TV displays. Early feedback from staff during the COVID-19 pandemic reinforced the importance of effective internal communication, resulting in the deployment of regular executive messaging through email, a new fortnightly all-staff email newsletter, and text messages to staff at the end of each work day.

Since November 2019, all tabled performance audit reports have included a single-page feature called an 'audit snapshot'. This new feature is intended to provide readers with a concise summary of the report, to help the reader make a decision about whether the report is of interest to them. It includes information about why the audit was conducted, what the audit found, what was recommended to the audited entity, and some key facts about the subject of the audit.

Risk management

The effective management of risk is integral to achieving our objectives and supporting our purpose. Risk management is a critical component of the ANAO's approach to good governance, and is integrated into our oversight structures, strategic planning framework and values-driven, high-performance culture.

Risk management framework

The ANAO's [risk management framework](#) is based on adherence to the Commonwealth Risk Management Policy, which adopts definitions outlined in ISO 31000:2018 *Risk management — Guidelines*. The standard defines risk as 'the effect of uncertainty on objectives', and risk management as the 'coordinated activities to direct and control an organisation with regard to risk'. The Commonwealth's policy has nine elements and the ANAO has established risk oversight and management systems to address each of those elements.

The ANAO's management of risk is embedded into all business-as-usual practices, using consistent language, approaches and documentation, with the adoption of both qualitative and quantitative risk analysis tools applicable across all operations and groups. Risks associated with audit products are identified and managed within the delivery of the products and within the quality framework through policies, procedural guidance and review points.

Risks need to be managed in the context of achieving organisational goals and objectives. While all staff contribute to the way risks are managed, senior staff in key positions are expected to have a clear view of the mitigating controls and their effectiveness at controlling risks.

The Auditor-General takes advice from the Executive Board of Management into account when approving the risk management framework and enterprise risk register and determining the ANAO's appetite and tolerance for risk. The risk management framework identifies specific responsibilities for key personnel across the ANAO and the enterprise risk register assigns owners for each enterprise-level risk. In addition, all ANAO staff have a general responsibility to practise active risk management. The Executive Board of Management reviews any serious risk incidents each month, and any residual risk assessed as 'high' or above is monitored monthly. Business risks are reviewed at least annually.

The ANAO proactively managed a number of serious risk incidents in 2019–20 in response to a changing risk environment. These included environmental hazards restricting use of the ANAO's office facilities and the COVID-19 pandemic. The required mitigations that the ANAO put in place in response to these risk events will continue to benefit the ANAO's operations in the post-pandemic environment.

The Professional Services and Relationships Group and the two audit services groups have primary responsibility for managing audit risk. Each individual audit work plan assesses operational risks and mitigation strategies, and risk is assessed at all audit review points. Responsibility for managing operational audit risk is assigned to responsible senior executives and audit managers.

Internal audit

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

In 2019–20, the ANAO's internal auditor, BellchambersBarrett, completed the following reviews:

- TeamMate rollout — pre-implementation review
- TeamMate rollout — implementation review
- JCPAA and other parliamentary committee audit recommendations
- Contract management — contract-out audits
- Payroll and payment data integrity
- Management of outsourced information and communications technology services
- ANAO Audit Manual compliance.

The seven completed internal audits made 10 recommendations in total all agreed to by the ANAO. Following the June 2020 Audit Committee meeting, work was in progress to address the five outstanding internal audit recommendations.

Control environment

The ANAO has a robust control environment in place. The current control framework includes the following policies and procedures, which document key business procedures and incorporate details of key internal controls:

- Auditor-General instructions — these apply key principles and requirements of the Commonwealth's resource management framework to the operations of the ANAO;
- financial management procedures (to support the Auditor-General instructions);
- delegations and authorisations; and

- an employee handbook.

Regular reviews of controls are undertaken by management and through the use of internal audit.

Probity and independence

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

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

In order to maintain credibility and demonstrate independence, the ANAO regards integrity as a core value of the organisation — critical in sustaining the confidence of the Parliament, strengthening public trust in government and delivering quality audit products.

The ANAO's integrity control system and processes include good governance practices, publishing of gifts and benefits, and an ongoing focus on independence in the delivery of our work. Beyond its control system, the ANAO maintains an enduring focus on promoting integrity as an organisational value that is embedded in our work and culture.

Fraud control and prevention

The Senior Executive Director CMG is responsible for managing the ANAO's fraud control framework, including fraud detection, prevention and response. This framework is linked to the ANAO's risk management framework and consolidates all fraud prevention and detection activities in one document. Having particular regard to risk against the ANAO's reputation should fraudulent activity occur, the ANAO periodically reviews its fraud control framework to take into account changes in its operating environment. There were no incidents of fraud in 2019–20. We conducted a fraud risk assessment and concluded that all identified fraud risks were accurately assessed and appropriate controls were in place.

The ANAO continues to maintain appropriate fraud prevention, detection, investigation, reporting and data collection procedures in accordance with the Public Governance, Performance and Accountability Rule 2014. The ANAO enhances fraud awareness among staff through various mechanisms, including a mandatory fraud e-learning module.

Auditor-General's disclosure of expenses

The Auditor-General voluntarily discloses publicly any expenses incurred to ensure transparency. The [Auditor-General's expenses](#) are disclosed every six months. His expenses for the 2019 calendar year and for January to June 2020 are available on the ANAO website.

Gifts and benefits

The ANAO gifts and benefits policy recommends that ANAO employees do not accept any gifts or benefits in their role as an employee of the ANAO. Employees are required to report any offered gift or benefit (whether accepted or refused) within 10 business days of the offer being made, through an internal gifts and benefits register. The data collected through the register is reported to the ANAO's Executive Board of Management, and a subset of the data is [reported publicly](#). In response to new guidance released by the Australian Public Service Commissioner on the 18th October 2019, the ANAO moved from quarterly to monthly public reporting of gifts and benefits through its website in January 2020.

Outside employment

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

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

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

At 30 June 2020, the ANAO approved 63 staff undertaking outside employment activities.

Compliance survey

The ANAO's delegates assert compliance with the financial framework, including compliance with the PGPA Act, by completing a Compliance Survey. The response rate to the survey in 2019–20 was 90%. Not all identified staff provided a response due to their absence when the survey was being undertaken.

In 2019–20 the survey identified no significant breaches of the ANAO delegations, financial management rules and associated legislation. A number of non-significant breaches relating to procurement were identified in relation to reporting procurements via Austender within the mandated timeframe of 42 days. Non-significant instances of the misuse of the ANAO's official credit cards were also identified.

There were 45 instances where procurements made by the ANAO were registered on Austender after 42 days. The ANAO has implemented additional internal controls to mitigate the likelihood of procurements not being reported on Austender within the mandated timeframe.

There were 16 instances of misuse or fraud related transactions of the ANAO's corporate credit card in 2019–20. This represents 0.2% of total credit card transactions. Although the proportion of misuse is small, each instance is investigated, with all these incidents found to be inadvertent. All instances of

credit card misuse were reported to the Executive Board of Management. The CFO contacted those staff that misused their credit card and reminded them of their obligations when using the card and ensured that the amounts associated with the misuse of the credit cards were repaid into the ANAO's bank.

External scrutiny

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

Part 7 of the *Auditor-General Act 1997* provides for the appointment of an Independent Auditor, who undertakes the audit of the ANAO's financial statements and carries out selected performance audits, having regard to the audit priorities of the Parliament as determined by the JCPAA. The Independent Auditor position is a part-time statutory appointment for a period of at least three years and not more than five years. On 21 February 2019, the Governor-General appointed Ms Eileen Hoggett as the ANAO's Independent Auditor from 1 March 2019 for a period of five years.

In 2019–20, the Independent Auditor commenced a performance audit to assess the effectiveness of the ANAO's internal budgeting and forecasting processes and practices, in supporting the 2019–20 and 2020–21 financial years. The report is due to be finalised by the end of August 2020.

The ANAO received unmodified auditor reports on its financial statements and performance statements for the year ended 30 June 2020.

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had a significant effect on the ANAO's operations in 2019–20. The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2019–20.

Other management issues

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

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

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Appendix A — ANAO appearances before, and submissions to, parliamentary committees

Table A.1 provides details on the ANAO's appearances before, and submissions to, parliamentary committees during 2019–20.

Table A.1: ANAO appearances before, and submissions to, parliamentary committees in 2019–20

Date	Committee	Topic	Type
30 July 2019	House of Representatives Standing Committee on Social Policy and Legal Affairs	Auditor-General reports: <ul style="list-style-type: none"> No. 28 of 2018–19: <i>Management of Smart Centres' Centrelink Telephone Services – Follow-up</i> No. 45 of 2018–19: <i>Coordination and Targeting of Domestic Violence Funding and Actions</i> 	Private briefing
5 September 2019	Senate Select Committee into the Jobs for the Future in Regional Areas	Inquiry into jobs for the future in regional areas	Submission
11 September 2019	Joint Committee of Public Accounts and Audit	About the ANAO, audit batch selection and Major Projects Report	Private briefing
12 September 2019	Joint Standing Committee on the National Capital and External Territories	Auditor-General reports: <ul style="list-style-type: none"> No. 34 of 2018–19: <i>Effectiveness of Board Governance at Old Parliament House</i> No. 43 of 2018–19: <i>Design, Implementation and Monitoring of Reforms to Services on Norfolk Island</i> 	Private briefing
16 September 2019	Senate Standing Committees on Community Affairs	Inquiry into Centrelink's compliance program	Submission
16 September 2019	Joint Standing Committee on Trade and Investment Growth	Inquiry into supporting Australia's exports and attracting investment	Submission
16 September 2019	Senate Select Committee on the Multi-Jurisdictional Management and Execution of the Murray Darling Basin Plan	Inquiry into the multi-jurisdictional management and execution of the Murray–Darling Basin Plan	Submission
16 September 2019	Joint Standing Committee on the National Disability Insurance Scheme	Inquiry into National Disability Insurance Scheme planning	Submission
3 October 2019	Senate Community Affairs References Committee	Inquiry into Centrelink's compliance program	Appearance at public hearing

Date	Committee	Topic	Type
11 October 2019	Senate Rural and Regional Affairs and Transport References Committee	Inquiry into the importance of a viable, safe, sustainable and efficient road transport industry	Submission
17 October 2019	Joint Committee on Corporations and Financial Services	Inquiry into regulation of auditing in Australia	Private briefing
21 October 2019	Senate Standing Committees on Finance and Public Administration	2019–20 Supplementary Budget Estimates	Appearance at public hearing
28 October 2019	Joint Committee on Corporations and Financial Services	Inquiry into regulation of auditing in Australia	Submission
1 November 2019	Senate Economics References Committee	Inquiry into Australia's oil and gas reserves	Submission
8 November 2019	Senate Rural and Regional Affairs and Transport References Committee	Inquiry into management of the Inland Rail project by the Australian Rail Track Corporation and the Commonwealth Government	Submission
8 November 2019	House of Representatives Select Committee on Regional Australia	Inquiry into regional Australia	Submission
15 November 2019	Joint Committee of Public Accounts and Audit	Inquiry into efficiency and effectiveness – Auditor-General reports: <ul style="list-style-type: none"> No. 25 of 2018–19: <i>Efficiency of the Processing of Applications for Citizenship by Conferral</i> No. 29 of 2018–19: <i>Efficiency of the Investigation of Transport Accidents and Safety Occurrences</i> No. 38 of 2018–19: <i>Application of Cost Recovery Principles</i> No. 42 of 2018–19: <i>Management of Small Business Tax Debt</i> No. 44 of 2018–19: <i>Effectiveness of the Export Finance and Insurance Corporation</i> No. 45 of 2018–19: <i>Coordination and Targeting of Domestic Violence Funding and Actions</i> No. 51 of 2018–19: <i>Farm Management Deposits Scheme</i> 	Appearance at public hearing
21 November 2019	Joint Standing Committee on the National Disability Insurance Scheme	Inquiry into National Disability Insurance Scheme planning	Appearance at public hearing

Date	Committee	Topic	Type
28 November 2019	Parliamentary Joint Committee on Intelligence and Security	Inquiry into the Review of Administration and Expenditure – Australian Intelligence Agencies as required under section 29 of the <i>Intelligence Services Act 2001</i>	Private briefing
29 November 2019	Joint Committee on Corporations and Financial Services	Inquiry into the regulation of auditing in Australia	Appearance at public hearing
1 December 2019	Senate Economics References Committee	Inquiry into Australia's sovereign naval shipbuilding capability	Submission
4 December 2019	Joint Committee of Public Accounts and Audit	<p>Inquiry into efficiency and effectiveness – Auditor-General reports:</p> <ul style="list-style-type: none"> No. 25 of 2018–19: <i>Efficiency of the Processing of Applications for Citizenship by Conferral</i> No. 29 of 2018–19: <i>Efficiency of the Investigation of Transport Accidents and Safety Occurrences</i> No. 38 of 2018–19: <i>Application of Cost Recovery Principles</i> No. 42 of 2018–19: <i>Management of Small Business Tax Debt</i> No. 44 of 2018–19: <i>Effectiveness of the Export Finance and Insurance Corporation</i> No. 45 of 2018–19: <i>Coordination and Targeting of Domestic Violence Funding and Actions</i> No. 51 of 2018–19: <i>Farm Management Deposits Scheme</i> 	Appearance at public hearing
4 December 2019	Joint Committee of Public Accounts and Audit	Performance statements audit pilot and ANAO budget process	Private briefing
30 January 2020	House of Representatives Standing Committee on Indigenous Affairs	Inquiry into pathways and participation opportunities for Indigenous Australians in employment and business	Submission
30 January 2020	Senate Rural and Regional Affairs and Transport References Committee	Inquiry into the federal government's response to the drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy	Submission
3 February 2020	Joint Committee on Law Enforcement	Inquiry into public communications campaigns targeting drug and substance abuse	Submission

Date	Committee	Topic	Type
7 February 2020	Joint Committee of Public Accounts and Audit	Administration of government grants – inquiry into Auditor-General reports: <ul style="list-style-type: none"> No. 5 of 2019–20: <i>Australian Research Council's Administration of the National Competitive Grants Program</i> No. 12 of 2019–20: <i>Award of Funding Under the Regional Jobs and Investment Packages</i> 	Appearance at public hearing
12 February 2020	Joint Committee of Public Accounts and Audit	2020–21 Auditor-General's budget submission	Private briefing
13 February 2020	Senate Select Committee on Administration of Sports Grants	Inquiry into the administration of sports grants	Appearance at public hearing
14 February 2020	Parliamentary Joint Committee on Intelligence and Security	Inquiry into the Administration and Expenditure No. 18 (2018–2019) – Australian Intelligence Agencies	Submission
21 February 2020	Joint Standing Committee on the National Broadband Network	Inquiry into the business case for the national broadband network and the experiences of small businesses	Submission
28 February 2020	Joint Committee of Public Accounts and Audit	Administration of government grants – inquiry into Auditor-General reports (follow-up): <ul style="list-style-type: none"> No. 12 of 2019–20: <i>Award of Funding Under the Regional Jobs and Investment Packages</i> 	Appearance at public hearing
28 February 2020	Joint Standing Committee on the National Broadband Network	Inquiry into the business case for the national broadband network and the experiences of small businesses	Appearance at public hearing
2 March 2020	Senate Standing Committees on Finance and Public Administration	2019–20 Additional Budget Estimates	Appearance at public hearing
20 March 2020	Joint Committee of Public Accounts and Audit	Inquiry into the administration of government grants	Submission
3 April 2020	Senate Select Committee on Autism	Inquiry into the services, support and life outcomes for people with autism	Submission
22 April 2020	Joint Committee of Public Accounts and Audit	ANAO annual audit work program and performance statements audit pilot	Private briefing
1 May 2020	Joint Committee on the Australian Commission for Law Enforcement Integrity	Inquiry into the integrity of Australia's border arrangements	Submission

Date	Committee	Topic	Type
13 May 2020	Joint Committee of Public Accounts and Audit	Auditor-General reports <ul style="list-style-type: none"> No. 19 of 2019-20: <i>2018–19 Major Projects Report</i> No. 22 of 2019-20: <i>Future Submarine Program — Transition to Design</i> 	Private briefing
19 May 2020	Joint Committee of Public Accounts and Audit	Cyber Resilience: Inquiry into Auditor-General's Reports 1 and 13 (2019-20): <ul style="list-style-type: none"> No. 1 of 2019-20: <i>Cyber Resilience of Government Business Enterprises and Corporate Commonwealth Entities</i> No. 13 of 2019-20: <i>Implementation of the My Health Record System</i> 	Appearance at public hearing
20 May 2020	Joint Committee of Public Accounts and Audit	Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))	Appearance at public hearing
27 May 2020	Joint Committee of Public Accounts and Audit	Inquiry into the 2018-19 Defence Major Projects Report and the Future Submarine Project - Transition to Design (Auditor-General's Reports 19 and 22 (2019-20))	Appearance at public hearing
2 June 2020	Joint Committee of Public Accounts and Audit	Cyber Resilience: Inquiry into Auditor-General's Reports 1 and 13 (2019-20): <ul style="list-style-type: none"> No. 1 of 2019-20: <i>Cyber Resilience of Government Business Enterprises and Corporate Commonwealth Entities</i> No. 13 of 2019-20: <i>Implementation of the My Health Record System</i> 	Submission
10 June 2020	Joint Committee of Public Accounts and Audit	ANAO 2020–21 budget submission	Private briefing
11 June 2020	Standing Committee on Indigenous Affairs	Inquiry into food pricing and food security in remote Indigenous communities	Appearance at public hearing
16 June 2020	House of Representatives Standing Committee on Social Policy and Legal Affairs	Auditor-General Reports: <ul style="list-style-type: none"> No. 28 of 2019–20: <i>Case Management by the Office of the Commonwealth Director of Public Prosecutions</i> No. 30 of 2019–20: <i>Bilateral Agreement Arrangements Between Services Australia and Other Entities</i> 	Private briefing

Appendix B — Transparency reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the ANAO is not subject to the transparency reporting requirements for private sector audits that are specified in the Corporations Act, the ANAO has embraced the principles of transparency reporting. Table B.1 summarises the requirements that are relevant to the ANAO and shows where the required information is presented in this annual report.

Table B.1: Transparency reporting

Prescribed information ^(a)	Coverage in this annual report
Description of the auditor's legal structure and ownership	The 'Role' section in Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO.
Description of the auditor's governance structure	The 'Governance' section in Part 4 details the corporate governance framework of the ANAO.
Description of the auditor's internal quality control system	The 'Quality' section in Part 4 details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality' section in Part 4 details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	<p>The 'External scrutiny' section in Part 4 details the bodies that are authorised to review the work of the ANAO and the external review commenced during the year.</p> <p>Table 2.1 in Part 2 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit.</p>
The names of the bodies for which the auditor conducted an audit in the reporting year	<p>The year-end report to the Parliament on audits of financial statements (Auditor-General Report No. 20 of 2019–20) lists all entities for which financial statement audits were conducted for the period ended 30 June 2019.</p> <p>Information on all audit reports tabled by the Auditor-General in the Parliament during 2019–20 is available on the ANAO website.</p>
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Probity and independence' section in Part 4 details the ANAO's independence framework for audit professionals.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Supporting high performance' section in Appendix E details the ANAO's education framework for audit professionals.
Financial information for the auditor for the reporting year	<p>The 'Report on financial performance' section in Part 3 provides an overview of the ANAO's financial results.</p> <p>The ANAO's audited financial statements for 2019–20 are presented in Part 3.</p>

Prescribed information ^(a)	Coverage in this annual report
Information on the basis for remuneration of the auditor's senior managers	Note 2 of the financial statements in Part 3 details the ANAO's arrangements for performance assessment and performance pay, and senior executive remuneration.

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

Appendix C — Entity resource statement and expenses by outcome

Entity resource statement

Table C.1: Entity resource statement 2019–20

	Actual available appropriations for 2019–20 (\$'000)	Payments made 2019–20 (\$'000)	Balance remaining 2019–20 (\$'000)
Ordinary annual services			
Departmental appropriation ^(a)	114,924	91,153	23,771
Total ordinary annual services	114,924	91,153	23,771
Special appropriations			
Auditor-General remuneration and expense— <i>Auditor-General Act 1997</i> , Schedule 1, sections 3 and 7	762	696	66
Total special appropriations	762	696	66
Total resourcing and payments	115,686	91,849	23,837

(a) *Appropriation Act (No. 1) 2019–2020*, prior-year departmental appropriation, and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Expenses by outcome

Table C.2: ANAO's summary of total expenses for Outcome 1, 2019–20

	Budget ^(a)	Actual expenses	Variation
	2019–20	2019–20	2019–20
	(\$'000)	(\$'000)	(\$'000)
<i>Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.</i>			
Program 1.1: Assurance Audit Services			
Departmental expenses			
Departmental appropriation ^(b)	40,932	41,287	(355)
Special appropriation	381	348	33
Expenses not requiring appropriation in the budget year	1,432	1,404	28
Total for Program 1.1	42,745	43,039	(294)
Program 1.2: Performance Audit Services			
Departmental expenses			
Departmental appropriation ^(b)	31,708	35,171	(3,463)
Special appropriation	381	348	33
Expenses not requiring appropriation in the budget year	1,225	1,104	121
Total for Program 1.2	33,314	36,623	(3,309)
Total for Outcome 1	76,059	79,663	(3,604)
		2019–20	2018–19
Average staffing level (number)		323	335

(a): Full year budget, including any subsequent adjustment made to 2019–20 Budget.

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

Appendix D — Workforce information

Table D.1: Staff coverage under employment instruments, at 30 June 2020

Number of employees covered by the ANAO Enterprise Agreement 2016–2019	Number of employees covered by a common law employment contract	Number of employees with an individual flexibility arrangement in place
309	27	14

Note: Includes ongoing, non-ongoing and casual staff. All employees are covered by either the ANAO Enterprise Agreement 2016–2019 or a common law employment contract. Employees covered by the enterprise agreement may also have an individual flexibility arrangement in place. Information in this table covers substantive classification of staff and does not include acting arrangements.

Table D.2: Ongoing, non-ongoing and casual staff, by classification and gender, at 30 June 2020 and 30 June 2019

		Ongoing			Non-ongoing			Casual			Total
		Female	Male	X	Female	Male	X	Female	Male	X	
SES 3	2020	1	–	–	–	–	–	–	–	–	1
	2019	1	–	–	–	–	–	–	–	–	1
SES 2	2020	3	1	–	–	–	–	–	–	–	4
	2019	3	2	–	–	–	–	–	–	–	5
SES 1	2020	11	11	–	–	–	–	–	–	–	22
	2019	10	11	–	–	–	–	–	–	–	21
EL 2	2020	37	31	–	–	–	–	–	–	–	68
	2019	33	31	–	1	–	–	–	–	–	65
EL 1	2020	33	27	–	2	1	–	–	–	–	63
	2019	43	26	–	1	2	–	–	–	–	72
APS 6	2020	36	27	–	2	–	–	–	–	–	65
	2019	36	29	–	1	–	–	–	–	–	66
APS 5	2020	37	20	–	–	1	–	–	–	–	58
	2019	27	19	–	1	1	–	–	–	–	48
APS 4	2020	14	15	–	2	–	–	–	–	–	31
	2019	26	10	–	2	–	–	–	–	–	38
APS 3	2020	1	–	–	–	1	–	–	–	–	2
	2019	3	–	–	–	1	–	–	–	–	4
APS 2	2020	–	–	–	–	–	–	–	1	–	1
	2019	–	1	–	–	–	–	–	–	–	1
APS 1	2020	–	–	–	–	–	–	1	2	–	3
	2019	–	–	–	–	–	–	–	5	–	5
Graduate	2020	7	11	–	–	–	–	–	–	–	18
	2019	15	19	–	–	–	–	–	–	–	34
Total	2020	180	143	–	6	3	–	1	3	–	336
	2019	197	148	–	6	4	–	–	5	–	360

See table notes on following page.

Note: APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service; X = indeterminate / intersex / unspecified (any person who does not exclusively identify as either male or female).

Note: Includes all staff employed by the ANAO, including operative and inoperative staff. Inoperative staff are defined as staff who are absent from work for more than 13 weeks. Information in this table covers substantive classification of staff and does not include acting arrangements.

Table D.3: Ongoing, non-ongoing and casual staff, by attendance type, at 30 June 2020 and 30 June 2019

Employment type	Attendance type							
	Full-time		Part-time		Casual		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Ongoing	285	296	35	40	–	–	323	336
Non-ongoing	7	7	2	3	–	–	9	10
Casual	–	–	–	–	4	5	4	5
Total	292	303	37	43	4	5	333	351

Note: Includes all operative and seven paid inoperative staff, and excludes three inoperative staff who were on leave without pay. Inoperative staff are defined as staff who are absent from work for more than 13 weeks. Four full-time ongoing staff identify as indigenous. All ANAO staff are Canberra based.

Remuneration

The ANAO's employment framework supports strategies in developing and building capability, investing in its staff, flexible working arrangements and appropriate remuneration. The ANAO's Enterprise Agreement 2016–2019 came into effect on 21 April 2016 and covers the terms and conditions of employment at the ANAO, other than terms and conditions applying under a relevant Commonwealth law or implied at common law. The agreement provides for a 2 per cent annual pay increase, which is funded from within existing and known future agency budget and revenue streams.

In April 2019, the ANAO implemented a section 24(1) determination under the *Public Service Act 1999* after a lengthy consultation process. The determination holds in place conditions of the ANAO Enterprise Agreement 2016–2019 while enabling an annual 2 per cent pay increase commencing 22 April 2019. This agreement was put on hold when the Australian Government issued a section 24(3) determination, effective 14 April 2020, pausing all APS staff pay increases for a period of six months.

The salary ranges for Senior Executive Service (SES) staff are determined by the ANAO's [SES Remuneration Policy](#) and have regard to public sector benchmarks, such as the annual APS remuneration survey. The nature of the work, specific skills and individual contributions to business outcomes are key factors in setting individual SES salaries. [SES remuneration payments](#) are set out under Note 2.3 of the financial statements at Part 3 of this report.

Table D.4: Salary ranges for APS employees, by classification, at 30 June 2020

Classification	Salary range (\$)
EL 2	121,235 – 151,306
EL 1	105,576 – 118,973
APS 6	86,024 – 98,872
APS 5	77,646 – 84,610
APS 4	67,602 – 74,298
APS 3	62,185 – 67,252
APS 2	57,122 – 62,184
APS 1	46,989 – 57,121
Graduate	62,185 – 74,298

APS = Australian Public Service; EL = Executive Level.

Table D.5: Performance payments in 2019–20

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	14	129,618	9,258	5,025	21,134
EL 2	9	56,350	6,261	1,651	7,575
EL 1	7	35,824	5,118	2,379	9,518
APS 6	3	11,105	3,702	2,586	5,932
APS 5	3	9,027	3,009	2,329	4,231
APS 4	1	2,972	2,972	2,972	2,972
APS 3	0	0	0	0	0
APS 1–2	0	0	0	0	0
Total	35	244,896			

APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service.

Table D.6: Summary of performance ratings for the period ending 31 October 2019

Classification broadband	Substantially exceeds expectations	Exceeds expectations	Meeting expectations	Not meeting expectations	Total
ANAO bands 4 and 5 (EL 1 and EL 2)	15	44	55	2	116
ANAO bands 1 to 3 (APS 1–6)	7	42	76	1	126
Total	22	86	131	3	243
Proportion of total eligible staff	9%	36%	54%	1%	

APS = Australian Public Service; EL = Executive Level.

Non-salary benefits

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

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

The ANAO provides SES staff and — where there is a business need — some non-SES staff with a mobile phone, tablet, laptop and/or airline lounge membership. Employees can also make use of a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

Workplace consultative forum

The Workplace Consultative Forum is an important part of the ANAO's ongoing commitment to employee engagement. The forum has 17 members who include staff, union and management representatives. In 2019–20, the forum met on six occasions to consider a range of employment-related issues, including the response to COVID-19, accommodation and information technology upgrades.

Workforce diversity

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

The ANAO has diversity contact officers who champion diversity across the ANAO, with a focus on building a positive workplace culture. The diversity contact officer cohort provides informal and confidential support to staff who are seeking assistance and guidance on workplace issues, such as harassment and bullying.

The diversity contact officers host events and support recognised days to educate and raise awareness among our staff. During 2019–20, sponsored events included:

- R U OK? Day;
- Wear it Purple Day; and
- Mental Health Awareness Month.

The ANAO Diversity and Inclusion Strategy 2018–2020 was developed in consultation with staff and Diversity Council Australia. The strategy was approved by the executive and released in February 2018. It provides the ANAO with guidance on ways to successfully embrace diversity by creating an environment that values and uses the contributions of people with different backgrounds, experiences

and perspectives. The strategy aims to create a supportive, flexible and engaging workplace in which our employees' differences are respected and viewed as an organisational asset.

At 30 June 2020, the ANAO had three employees who self-identified as Aboriginal and/or Torres Strait Islander. The ANAO collaborates with other Australian Government agencies so that it can better meet the employment needs of Aboriginal and Torres Strait Islander people.

Implementation of the ANAO's first [Reconciliation Action Plan](#) — at the 'reflect' stage — formally concluded in July 2019. A report on the key achievements under this plan can be found on the ANAO website. The ANAO has commenced planning for the development of its next Reconciliation Action Plan at the 'innovate' stage.

During 2019–20, the ANAO continued to demonstrate commitment to the goals of its first Reconciliation Action Plan, including by hosting events for National Reconciliation Week, recognising NAIDOC Week, and exploring opportunities within the organisation to strengthen cultural intelligence.

Appendix E — Staff engagement and performance strategies

This appendix sets out the ANAO's strategies for recruiting and retaining staff, and building a productive and supportive workplace that encourages and engages its employees.

Recruitment and retention

The ANAO has a number of programs and strategies to ensure that we recruit and retain high-performing staff.

Graduate program

The ANAO's graduate program is open to university students who are completing their final year of study or have completed a degree within the past seven years. During the 12-month program, graduates undertake a robust development program, consisting of technical and professional training.

In 2019, the ANAO's graduate program included 18 graduates: 10 in the Assurance Audit Services Group, six in the Performance Audit Services Group, one in the Systems Assurance and Data Analytics Group, and one in the Corporate Management Group.

Intern program

The ANAO's intern program provides paid casual work experience for Canberra university students who are currently completing an undergraduate degree in a relevant field of study. During 2019–20, seven students participated in the ANAO intern program. The ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, Chartered Accountants Australia and New Zealand and CPA Australia to recruit students for the program.

Supporting high performance

During 2019–20, the ANAO supported 149 staff members to undertake qualifications and tertiary education, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA (the professional association for IT audit specialists). The ANAO also invested in a diverse range of programs to build capabilities, including coaching, technical workshops, wellbeing and communication skills. The year saw a stronger focus on increasing soft skills throughout the ANAO.

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

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

The ANAO recognises and rewards individual staff and teams who make a significant contribution to achieving its business objectives in areas such as client service, people management, business

management, audit management and innovation. The recognition and awards system comprises formal ANAO awards (Auditor-General's Australia Day Awards, outstanding achievement awards, professional development awards, and certificates of appreciation) and formal external awards (the Public Service Medal, Institute of Public Administration Australia awards, and Chartered Accountants Australia and New Zealand – Leadership in Government Awards).

In 2019–20, the ANAO's studies assistance program was reviewed and streamlined.

Talent management program

A renewed approach to talent management is in the process of implementation following the success of pilot programs in 2017 and 2018.

The 2020–21 talent management program will offer the following opportunities to participants:

- keynote speakers;
- leadership development opportunities;
- group coaching sessions;
- strategic projects;
- mentoring junior staff members; and
- shadow boards.

An evaluation of the program will occur in early 2021 with a view to renewing the ANAO's approach to talent management.

Staff engagement

The ANAO is committed to building a productive and supportive workplace that encourages and engages its employees. Each year, the ANAO participates in the Australian Public Service employee census. The 2019 census achieved an ANAO staff response rate of 76 per cent. Unfortunately, due to COVID-19, the 2020 census has been delayed and we are unable to report on response rates.

The ANAO organises regular internal events that aim to foster a culture of engagement and information sharing for all staff. Events raise awareness of ANAO priorities and contribute to the professional and personal development of staff. 'Town hall' events inform staff of current organisational priorities, future directions and relevant developments. The purpose is to create a sense of cohesion across the organisation and to recognise staff contributions and achievements. Three 'town hall' events were held in 2019–20.

The ANAO's Leaders Speaking program is a key professional and development opportunity that provides ANAO staff with exposure to a variety of professionals from industries and sectors outside of auditing. Topics and areas of focus are broadly based on leadership, management, innovation, change, performance and professional development. The program is well attended and contributes to culture building. It equips staff with insights and learnings that complement their technical training and development. Two Leaders Speaking events were held in 2019–20 and featured Mr Noel Pearson and Dr Simon Longstaff.

Health and wellbeing initiatives

The ANAO is committed to promoting the health and wellbeing of its staff. The ANAO recognises that work-based health and wellbeing programs positively contribute to morale, resilience and productivity by reducing workforce absence, illness and workplace injury. The ANAO participates in the Australian Public Service Commission's benchmarking on unscheduled absences across the Australian Public Service (APS), which can provide information on staff wellbeing. The most recent report received, covering the period 1 July 2019 to 31 March 2020 shows the ANAO's unscheduled absence rate at 6.2 days compared to the APS average of 6.8 days.

By informing, enabling and supporting staff to make healthy choices, the ANAO is contributing to the overall health and wellbeing of its social community. During 2019–20, programs that were promoted include:

- diversity contact officers;
- the Reasonable Adjustment Passport for employees with an illness, injury or disability;
- the Employee Assistance Program;
- the Mental Health Guru online employee induction program;
- an online mental health toolkit;
- COVID-19 pastoral care check-ins;
- flu vaccinations;
- annual health checks; and
- mental health first aid officers.

Appendix F — Other management issues

Compliance with finance law

In 2019–20, the ANAO had no significant issues under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* relating to noncompliance with the finance law.

Asset management

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

Purchasing and procurement

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

The ANAO's procurement plan is published annually and is available on the AusTender website, tenders.gov.au. The plan is updated when circumstances change.

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

All tenders and contractual arrangements undertaken in 2019–20 were carried out in accordance with the *Commonwealth Procurement Rules*.

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

Consultants

The ANAO engages consultants as required to undertake a variety of tasks. The most common uses of contracted consultants include the application of expert professional skills to:

- investigate or diagnose a defined issue or problem;
- provide independent advice, information or creative solutions; and
- provide specialised services, including assistance with actuarial calculations, probity services and legal advice.

The major competitive tendering and contracting activities in 2019–20 were to obtain professional skills to assist with certain financial statements audits and performance audits, and the ANAO accommodation project.

During 2019–20, three new consultancy contracts were entered into involving total actual expenditure of \$0.190 million. In addition, 11 ongoing consultancy contracts were active during the period, involving total actual expenditure of \$0.427 million.

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

Procurement initiatives to support small business

The ANAO supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website: Statistics on Australian Government Procurement Contracts. In addition, the ANAO updated its payment terms on 14 April 2020 to 7 days to support suppliers' cash flow during the COVID-19 pandemic.

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

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

Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2019–20. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$13,000 (including GST) to market research organisations and media advertising organisations, incurred in the course of HR, audit and assurance reviews, are set out in Table F.2.

Table F.1: Payments made to market research organisations, 2019–20

Organisation	Purpose	Amount (\$)
Orima Research (market research organisation)	Client Survey	14,154
Orima Research (market research organisation)	Client Survey	19,250
Orima Research (market research organisation)	Client Survey	19,250
Orima Research (market research organisation)	Client Survey	28,759

Grant programs

The ANAO does not administer any grant programs.

Environmental performance

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

The EPBC Act requires Commonwealth agencies to report against two core criteria:

- how the agency accords with and contributes to the principles of ecologically sustainable development; and
- the environmental performance of the agency, including the impact of its activities on the natural environment, how these are mitigated and how they will be further mitigated.

Contribution to ecologically sustainable development

The ANAO accords with and contributes to environmentally sustainable development by actively taking steps to reduce our environmental impact and adopting environmentally friendly options where practical.

In 2019–20, the ANAO continued to improve its environmental performance and mitigate the effects of our impact on the environment through:

- relocating to smaller premises, reducing the footprint of the agency;
- relocating to premises with a higher NABERS (National Australian Built Environment Rating System) rating;
- procuring energy-efficient equipment and lighting solutions, including sensor-controlled lighting;
- energy-efficient power management settings on office equipment;
- updated videoconferencing facilities to reduce the need for local, interstate and international travel;
- ensuring that new leases entered into comply with the Australian Government's energy policy;
- recycling of paper, cardboard, office furniture, batteries and printer cartridges; and
- fostering employee awareness of environmental issues, including reconsidering the need to print documents in line with 'paper-lite' principles.

The integration of energy-efficiency practices into our organisation and planning processes allows us to reduce our energy costs and decrease the consumption of resources.

Effect of activities on the environment

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

In December 2019, the ANAO relocated to new premises following fit-out and base building construction works. During the construction phase, the building contractor was legally responsible for the removal and disposal of debris generated by the works, with a particular focus on recycling as much waste as possible and reducing landfill. Further, the building contractor was legally obligated to take all precautions necessary to prevent the discharge of mud, dust, water, fumes, smoke, rubbish, and other pollutants from the work site to any adjacent areas.

We will continue to improve our collection and monitoring of data on energy use, water consumption and waste management in our office building.

Disability reporting

The National Disability Strategy 2010–2020 is Australia's overarching framework for disability reform. It acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs that affect people with disability, their families and carers.

All levels of government will continue to be held accountable for the implementation of the strategy through biennial progress reporting to the Council of Australian Governments. Progress reports can be found at dss.gov.au.

Disability reporting is included in the Australian Public Service Commission's State of the Service reports and the *APS Statistical Bulletin*. These reports are available at apsc.gov.au.

Work health and safety

Under section 35 of the *Work Health and Safety Act 2011*, the ANAO is required to notify Comcare of any incidents arising out of the conduct of the ANAO's operations that result in death, serious injury or serious illness of a person, or involve a dangerous incident. No incidents were reported in 2019–20.

Freedom of information

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

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

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

Service charter

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

Abbreviations and acronyms

ACAG	Australasian Council of Auditors-General
ACPAC	Australasian Council of Public Accounts Committees
AGO	Auditor-General's Office (Papua New Guinea)
ANAO	Australian National Audit Office
APS	Australian Public Service
ASAE	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASOSAI	Asian Organization of Supreme Audit Institutions
BPK	Badan Pemeriksa Keuangan Republik Indonesia (Audit Board of the Republic of Indonesia)
CAAF	Canadian Audit and Accountability Foundation
CFO	chief financial officer
COVID-19	coronavirus disease 2019
Defence	Department of Defence
DFAT	Department of Foreign Affairs and Trade
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
FIPP	Forum for INTOSAI Professional Pronouncements
FOI Act	<i>Freedom of Information Act 1982</i>
GST	goods and services tax
INTOSAI	International Organization of Supreme Audit Institutions
IPP	Institutional Partnerships Program
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
NAIDOC	National Aborigines and Islanders Day Observance Committee
PASAI	Pacific Association of Supreme Audit Institutions
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PNG	Papua New Guinea
PSM	Public Service Medal
SAI	supreme audit institution
SES	Senior Executive Service
SME	small to medium-sized enterprise
WHS	work health and safety

List of requirements

The list of annual report requirements in the table below is prepared in accordance with paragraph 17AJ(d) of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). Page references for the ANAO's compliance with these requirements are provided in the right-hand column of the table.

List of requirements

PGPA Rule reference	Description	Requirement	Page
17AD(g)	Letter of transmittal		
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii
17AD(h)	Aids to access		
17AJ(a)	Table of contents	Mandatory	v
17AJ(b)	Alphabetical index	Mandatory	120
17AJ(c)	Abbreviations and acronyms	Mandatory	113
17AJ(d)	List of requirements	Mandatory	114
17AJ(e)	Details of contact officer	Mandatory	iv
17AJ(f)	Entity's website address	Mandatory	iv
17AJ(g)	Electronic address of report	Mandatory	iv
17AD(a)	Review by accountable authority		
17AD(a)	A review by the accountable authority of the entity	Mandatory	1
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	A description of the role and functions of the entity	Mandatory	4
17AE(1)(a)(ii)	A description of the organisational structure of the entity	Mandatory	5
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity	Mandatory	5, 15
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan	Mandatory	4, 77
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	iii, 4, 73
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	4, 73
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	4, 73
17AE(1)(b)	An outline of the structure of the portfolio of the entity	Portfolio departments—mandatory	N/A

PGPA Rule reference	Description	Requirement	Page
17AE(2)	Where the outcomes and programs administered by the entity differ from any portfolio budget statement, portfolio additional estimates statements or other portfolio estimates statements that were prepared for the entity for the period, include details of variation and reasons for change	If applicable, mandatory	N/A
17AD(c)	Report on the performance of the entity		
16F	<i>Annual performance statements</i>		
17AD(c)(i)	Annual performance statements in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	15
17AD(c)(ii)	<i>Report on financial performance</i>		
17AF(1)(a)	A discussion and analysis of the entity's financial performance	Mandatory	36
17AF(1)(b)	A table summarising the total resources and total payments of the entity	Mandatory	99
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, mandatory	N/A
17AD(d)	Management and accountability		
17AG(2)	<i>Corporate governance</i>		
17AG(2)(a)	Information on compliance with section 10 of the PGPA Rule (fraud systems)	Mandatory	88
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	iii
17AG(2)(b)(ii)	A certification by accountable authority that the entity has in place appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud	Mandatory	iii
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	iii
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	72
17AG(2)(d)–(e)	A statement of significant issues reported to minister under paragraph 19(1)(e) of the PGPA Act that relate to noncompliance with finance law and action taken to remedy noncompliance	If applicable, mandatory	109

PGPA Rule reference	Description	Requirement	Page
17AG(2A)	<i>Audit committee</i>		
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee	Mandatory	76
17AG(2A)(b)	The name of each member of the entity's audit committee	Mandatory	76
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee	Mandatory	76
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings	Mandatory	76
17AG(2A)(e)	The remuneration of each member of the entity's audit committee	Mandatory	76
17AG(3)	<i>External scrutiny</i>		
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	89
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, mandatory	N/A
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the PGPA Act), a parliamentary committee or the Commonwealth Ombudsman	If applicable, mandatory	89
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period	If applicable, mandatory	N/A
17AG(4)	<i>Management of human resources</i>		
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	106
17AG(4)(aa)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including statistics on: <ul style="list-style-type: none"> • full-time employees • part-time employees • gender • staff location 	Mandatory	101
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including statistics on: <ul style="list-style-type: none"> • staffing classification level • full-time employees • part-time employees • gender • staff location • employees who identify as Indigenous 	Mandatory	102

PGPA Rule reference	Description	Requirement	Page
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	101–102
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements, etc. identified in paragraph 17AG(4)(c) of the PGPA Rule	Mandatory	60, 101
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level	Mandatory	103
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees	Mandatory	104
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay	If applicable, mandatory	103
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level	If applicable, mandatory	103
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, mandatory	103
17AG(4)(d)(iv)	Information on aggregate amount of performance payments	If applicable, mandatory	103
17AG(5)	<i>Asset management</i>		
17AG(5)	An assessment of effectiveness of asset management where asset management is a significant part of the entity's activities	If applicable, mandatory	109
17AG(6)	<i>Purchasing</i>		
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules	Mandatory	109
17AG(7)	<i>Consultants</i>		
17AG(7)(a)	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory	109–110
17AG(7)(b)	A statement that 'During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].'	Mandatory	109–110
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	109–110

PGPA Rule reference	Description	Requirement	Page
17AG(7)(d)	A statement that 'Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.'	Mandatory	109–110
17AG(8)	<i>Australian National Audit Office access clauses</i>		
17AG(8)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	If applicable, mandatory	N/A
17AG(9)	<i>Exempt contracts</i>		
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published on AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters	If applicable, mandatory	N/A
17AG(10)	<i>Small business</i>		
17AG(10)(a)	A statement that '[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise and small enterprise participation statistics are available on the Department of Finance's website.'	Mandatory	109
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium-sized enterprises	Mandatory	109
17AG(10)(c)	If the entity is considered by the department administered by the Finance Minister as material in nature—a statement that '[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small business are available on the Treasury's website.'	If applicable, mandatory	109
17AD(e)	<i>Financial statements</i>		
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the PGPA Act	Mandatory	40
17AD(da)	<i>Executive remuneration</i>		
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the PGPA Rule	Mandatory	60, 102

PGPA Rule reference	Description	Requirement	Page
17AD(f)	Other mandatory information		
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that 'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'	If applicable, mandatory	110
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, mandatory	110
17AH(1)(b)	A statement that 'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'	If applicable, mandatory	110
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	111
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	112
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, mandatory	N/A
17AH(2)	Information required by other legislation	Mandatory	112

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