



# THE AUDITOR-GENERAL ANNUAL REPORT 2008–2009

# THE AUDITOR-GENERAL ANNUAL REPORT 2008–2009

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<http://www.anao.gov.au>



Auditor-General for Australia



16 September 2009

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* and pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present to the Parliament my report on the operations of the Australian National Audit Office for the year ended 30 June 2009.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

Ian McPhao

## Highlights

- We delivered a comprehensive program of financial and performance audits and related products, including better practice guides, to inform the parliament and the government about public sector administration and performance.
- We continued to support the work of parliamentary committees, particularly the Joint Committee of Public Accounts and Audit, which we assisted with its inquiries.
- Our performance audit reports were influential in shaping public administration. We made 163 recommendations directed at improving agency performance and accountability; of these, 91 per cent were agreed in full and 9 per cent were agreed with some qualification.
- We issued 246 audit opinions, of which 90 per cent were issued within two days of financial statements being signed.
- We developed our 2009–11 Workforce Strategic Plan, which promises to significantly enhance the way we manage our people.
- Our resource base has been supplemented by \$20.1 million over four years (including capital funding of \$0.9 million). This will allow the ANAO to enhance its auditing activities, including performance audits, information technology audits and other specialist audit activities, and increase technical support and quality assurance capability.
- We continued to provide direct assistance to the audit institutions of Papua New Guinea and Indonesia as part of our commitment to developing public sector auditing internationally.
- Our building refurbishment has been largely completed, providing our staff with significant improvements in their accommodation and general work environment.

## Areas of focus for the coming year

We expect 2009–10 to be another demanding year and have identified a number of key areas on which to focus our efforts. Specifically, we aim to:

- deliver a range of timely and relevant products on topics that provide opportunities for improvement in administration across the Australian Government public sector, including work on important new areas of review, such as our role in relation to government information and advertising campaigns, and major Defence capital equipment projects
- continue to build our relationship with the parliament, particularly the Joint Committee of Public Accounts and Audit, to explain the work of the ANAO and our contribution to improving public administration
- progress key initiatives flowing from additional funding, including the restoration of the performance audit program, improved IT support to audit activity, increased use of specialist technical support in high-risk audit areas and the implementation of an enhanced quality assurance program
- implement our Professional Services Automation system which will enhance our project management methodologies
- work with entity audit committees to enhance awareness of our report recommendations
- explore options to better present and market our reports and meet the changing needs of our clients, including improving access to electronic copies of our reports
- implement our Workforce Plan Strategic Priorities
- leverage off our audit activity and relationships with other entities to develop relevant better practice guides
- continue contributing to the auditing profession by maintaining our involvement in national and international auditing bodies.

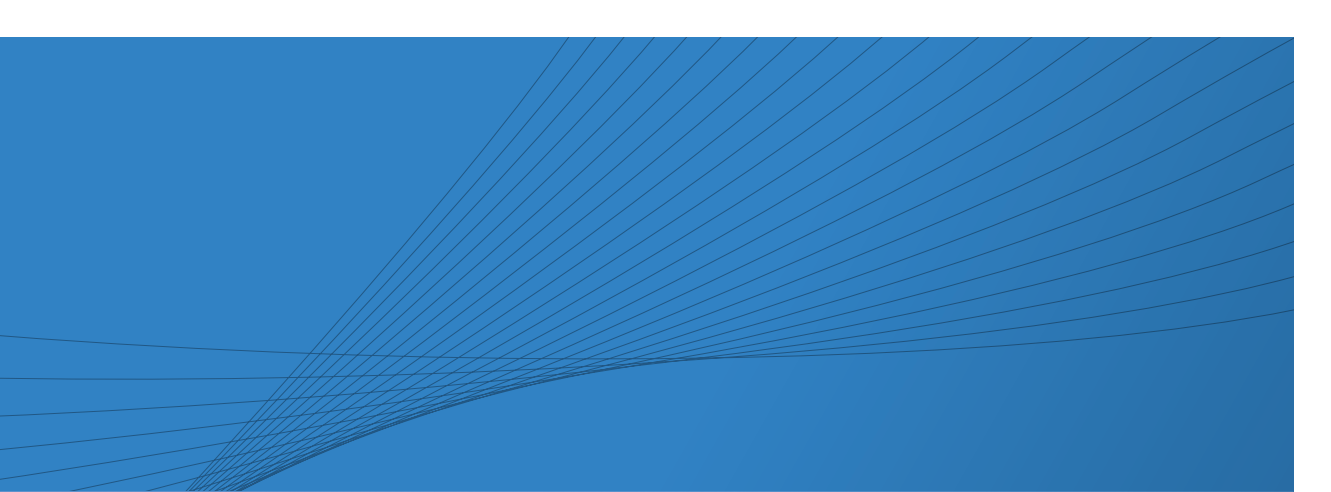


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PART 1  
FOREWORD BY THE  
AUDITOR-GENERAL





## A year of significant achievements in providing independent assurance to parliament

As the external auditor of the Australian Government public sector, the ANAO provides an independent assessment of the performance and financial statements of Australian Government entities. Our audits are designed to inform the parliament and the Australian community about the state of public administration.

## An overview of our achievements in 2008–09

In 2008–09, the ANAO tabled a range of influential audit reports that focused on the implementation of a variety of government programs. Those reports covered issues as diverse as the delivery of defence capability and national infrastructure projects, the administration of grants, and the conduct of government tendering and contracting.

In last year's annual report I foreshadowed an expanded assurance role for the ANAO in responding to the government's initiatives. We delivered on those initiatives with the tabling of our inaugural Defence Materiel Organisation—Major projects report in November 2008 and our work on government advertising (we issued 58 review reports to the responsible ministers in respect of 28 discrete advertising campaigns conducted within 13 portfolios).

In addition, the ANAO completed financial statement audits for all Australian Government-controlled entities, some 237 in total.

The ANAO continued to enjoy the parliament's confidence in the way it discharged its statutory responsibilities and highlighted opportunities for improvements in key areas of public administration. The ANAO maintained a good working relationship with the Joint Committee of Public Accounts and Audit (JCPAA)—the parliament's audit committee.

In recognition of the importance of our audit work to the parliament, the government, with the strong support of the JCPAA, provided additional funding of \$20.1 million over four years in the 2010 Budget. That additional funding will allow us to restore our performance audit program to traditional levels and increase our specialist audit capability. Our performance in delivering our products and services is set out in the performance reports for each output group later in this report.

## Our continued support to the parliament

The parliament is our primary client, and I am very conscious of the need to maintain our good relationship with the parliament and parliamentary committees. We adopt a proactive approach in assisting parliamentary committees; seek to engage ministers, senators and members by providing briefings on our work; continue to develop our special relationship with the JCPAA with submissions and background briefings; undertake audits of importance to the parliament, members and senators; and survey parliamentarians to ensure that we are meeting their expectations.

### Joint Committee of Public Accounts and Audit

The JCPAA reviews all audit reports and conducts public inquiries into selected audit reports. In 2008–09, the JCPAA tabled two reports, Report No. 412 and Report No. 414, which reported on selected performance audits tabled during the Forty-first Parliament and between August 2007 and August 2008. I am pleased to note that the JCPAA supported all our recommendations. The JCPAA also held inquiries into eight audit reports tabled since August 2008; however, the committee's report of this work had not been tabled as at 30 June 2009.

During the year we prepared a submission to the JCPAA inquiry into the Auditor-General Act. The submission outlines a number of areas where we consider the Act would benefit from amendment including in relation to the ANAO's new assurance activities, which include reviews of Defence major acquisition projects and reviews of government information and advertising campaigns. The submission also canvassed options for enhancing the Auditor-General's authority to 'follow the money trail' across jurisdictions and to certain non-government bodies, including contractors who are engaged to assist in the delivery of programs and services.

We also prepared a submission for another JCPAA inquiry into the Auditor-General's role in scrutinising entities' compliance with the guidelines on government advertising campaigns issued in June 2008. I discuss our progress in this area later in this foreword.

### Audits undertaken by formal request of the parliament, ministers or parliamentarians

As the Auditor-General, I am an independent officer of the parliament and may not be directed by ministers or parliament as to which audits to undertake, I am responsive to requests from the parliament and its committees. During 2008–09, three audits were undertaken and tabled as a result of formal requests of the parliament. Those reports are described in the performance report for Output Group 1—Performance Audit Services.

In addition to those audits, following a request from the Prime Minister in June 2009, I agreed to undertake a performance audit relating to automotive finance arrangements for car dealers. The report was tabled on 4 August 2009 and a copy given to the Prime Minister.

## The 2008–09 parliamentary survey

The ANAO surveys members and senators to judge whether we are meeting the expectations of parliamentarians. The results of the 2008–09 survey, our fourth, were generally positive, and members of parliament and parliamentary committee secretaries indicated that our work is highly valued. They recognised that it plays a 'crucial role' in ensuring accountability and transparency across the public sector.

Senators and members made a numbers of suggestions about how the ANAO could improve its interactions with parliament, and the ANAO is committed to addressing those suggestions in 2009–10.

## Our audit work—a catalyst for improved public administration and enhanced accountability

Over the years, governments have acted to improve public administration following the tabling of our audit reports. Both our audit reports and other publications are a positive stimulus in improving public administration and enhancing accountability. Summarised highlights of our work in 2008–09 follow.

### Performance audits

In 2008–09, the ANAO's performance audits focused on six broad themes: governance and project management; border security and national security; community support and wellbeing; environment; industry, science and education; and transformation of entities.

We tabled 45 performance audit reports covering a diverse range of programs managed by public sector entities. A more detailed coverage of the impact of all our performance audits and progress in our thematic areas can be found in the performance report for Output Group 1—Performance Audit Services. Appendix 4 provides a summary of all our performance audit reports.

### Our expanded audit assurance role

As reported last year, the ANAO is now able to respond to government initiatives that provide for assurance reports on the schedule, cost and capability delivered through the Department of Defence's major acquisition projects, and to provide assurance that information and advertising campaigns satisfy the government's advertising guidelines.

We tabled our first assurance report on the status of selected Defence equipment acquisition projects on 27 November 2009. The report examined the cost, schedule and capability status of nine projects (with a 30 June 2008 approved budget totalling \$13.535 billion) as reported by the Defence Materiel Organisation (DMO). That report was a substantial step forward in improving transparency and public accountability in major Defence procurement projects. We will continue to work with DMO to refine the assurance audit approach. We plan to review 15 DMO projects in 2009–10.

In 2008–09, we issued 58 review reports relating to 28 advertising campaigns, providing timely assurance and feedback on opportunities for improving an area of public administration that, historically, has been problematic.

We found that the campaign advertising guidelines are generally holding up well, and that they have been particularly useful in establishing the principles required for relevant government advertising campaigns. However, there remains further room for agencies to adjust business processes to better align with the requirements of the guidelines. Also there are several areas where, in the light of experience, the guidelines could be refined or supplemented by additional guidance. These matters have been brought to the attention of the responsible minister and the JCPAA. We have found that departments are willing to take our views into account and to refine campaign proposals to ensure that the guidelines have been clearly met. We will continue to refine our methodology in the light of our experience in 2008–09.

## Financial statements audits

Under section 57 of the *Financial Management and Accountability Act 1997* (FMA Act), I am required to report each year to the relevant minister on whether the financial statements of agencies have been prepared in accordance with the Finance Minister's Orders and whether they give a true and fair view of the matters required by those orders.

In addition to the 237 separate individual opinions provided by the ANAO, I also tabled two financial statement audit reports in 2008–09.

- Report No. 14 (2008–09) reported the final results of the audit of the financial statements of all Australian Government entities and the Consolidated Financial Statements for the Australian Government for 2007–08 financial year. I was able to provide an unqualified opinion on the Government's financial position as at 30 June 2008, noting that the accounts disclosed events after balance date relating to the effects of the economic environment
- Report No. 42 (2008–09) reported on the results of the interim audit phase of the 2008–09 financial statements of general government sector agencies. The results of this interim audit showed a maturing of control regimes but continued to highlight control weaknesses in a number of areas particularly relating to agencies' IT control environments, business continuity management, the management of assets, and reconciliations between key financial systems.

Those reports are discussed in more detail in the performance report for Output Group 2—Information Services.

## Promoting better practice

Our audit findings and recommendations are reinforced through our better practice guides, which are designed to provide practical guidance and promote better practice in specific areas of public administration. Better practice guides issued in 2008–09 sought to build resilience in public sector agencies by improving their business continuity management; strengthening controls within the SAP computer system—used by many agencies; and improving the preparation processes for their financial statements. The guides continue to be very well received, and we encourage their wide dissemination.



## Our contribution to the auditing and accounting profession

The ANAO continued to support the accounting and auditing profession by providing speakers at conferences and seminars, commenting on draft standards, and serving on committees and professional bodies. Senior ANAO staff members hold positions on the boards of CPA Australia and the Institute of Chartered Accountants, and other staff members are involved with the work of professional bodies through their committees. I am a member of the Australian Accounting Standards Board. My term on the International Auditing and Assurance Standards Board concluded during 2008–09. It was an honour to represent the Australian auditing profession on this international standards-setting body.

### Peer reviews

In recognition of our standing in the international auditing community, we are asked, from time to time, to conduct peer reviews of other supreme audit institutions. During 2008–09, the ANAO led an international peer review of the Office of the Auditor General of Canada (OAG) to provide the Canadian Auditor General with an independent opinion on whether the OAG's quality management system is suitably designed and operates effectively.

We also completed a review of two New Zealand Audit Office audits and provided a report to the New Zealand Auditor-General, and participated in a review with the New South Wales Audit Office of a small number of performance audits undertaken by the Victorian Auditor-General's Office.

### Regional assistance

The ANAO, while acknowledging that its primary function is to provide an independent view of the performance and financial management of Australian Government entities, recognises that it has a role to play in the international public sector auditing community. We undertake this broader, international role, in a number of ways.

We continued to participate in a range of international forums, and contributed to the development of international auditing standards and professional practices by exchanging experiences and information.

The ANAO has close links with the Indonesian Board of Audit (BPK) and the Papua New Guinea Audit Office (PNGAO). Those links have been developed over the past three years through our participation in three international capacity-building programs funded by AusAID.

A detailed account of our involvement in national and international forums and our participation in capacity-building programs is set out in the performance report for Output Group 2—Information Services.

## Resourcing

In last year's annual report, I expressed concern about the adequacy of the ANAO's budget for 2008–09, particularly given the increasing complexity of government programs and the 3.25 per cent reduction in our base funding due to the efficiency dividend.

I wrote to the Special Minister of State seeking his support for an increase in the ANAO's resource base (from 2009–10) to enhance our IT and other specialist auditing capabilities, restore the performance audit program to previous levels, increase our technical support and quality assurance capability, and to be resourced to meet the increased requirements of the auditing standards.

I also met with the JCPAA in March to review the ANAO's budget proposals for 2009–10. Following that meeting, the Committee wrote to the government recommending support for the request for an additional \$30.8 million over four years, with an ongoing amount of \$9.3 million annually.

In total, the government has provided an additional \$20.1 million over four years. While less than the amount sought, the allocation agreed for the budget and forward years will place the ANAO on a more sustainable financial footing, and the ANAO will now have sufficient resources to meet its work program in the year ahead. The Government agreed to provide the following additional funding over four years:

- \$7.4 million, to enable the ANAO to restore its performance audit program and allow the tabling of 50 performance audits by 2010–11
- \$8.5 million, to assist in enhancing IT and other specialist audit capabilities
- \$4.2 million, to allow an increase in our technical support and quality assurance capability in recognition of greater complexity following the introduction of the International Financial Reporting Standards.

On the staffing front, we have seen a significant fall in our turnover rate from 30 per cent last year to 16.7 per cent in 2008–09. This is a pleasing result. We are committed to strengthening our workforce planning, maintaining competitive remuneration arrangements, supporting the professional development of our staff and providing good amenities.

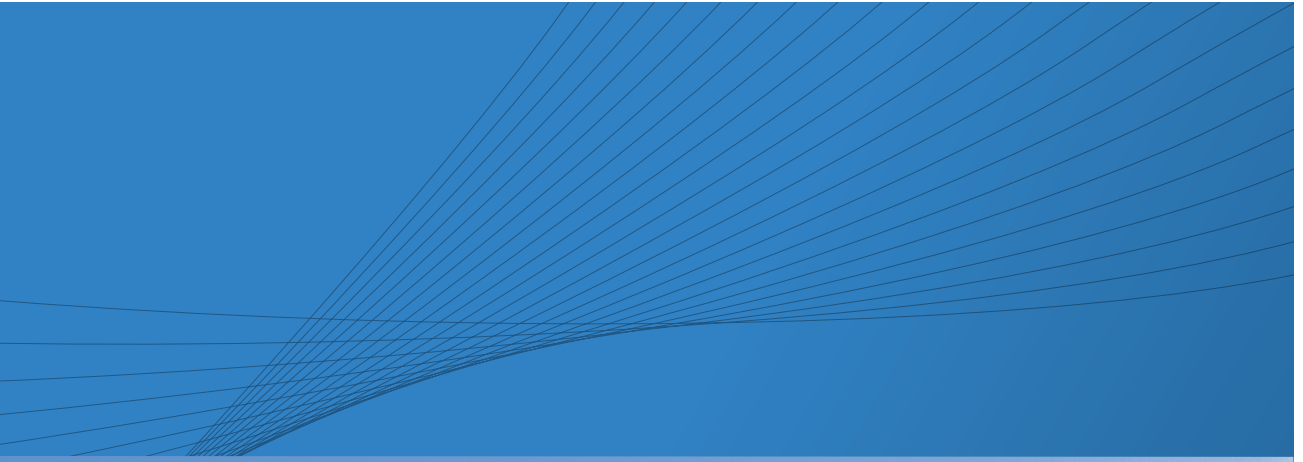


## To conclude

The high regard in which the ANAO is held is due to the commitment and professionalism of my staff and my senior leadership group. This year, in addition to our normal staff recognition awards, I introduced a new award to recognise staff who have provided 15 and 20 years of continuous service to the ANAO. To date, some 28 officers have qualified for those awards. I would also like to recognise the contribution made by Dianne Rimington, Group Executive Director of Corporate Services Group, who resigned in April 2009.

The ANAO's work associated with our independent assurance role, encouraging improvement in public administration, and assisting the parliament has gained wide community acceptance. That recognition reflects well on the solid work undertaken by the ANAO.

We are well placed to meet our targets in 2009–10, notwithstanding the challenges of managing an increasing workload to deliver a larger audit work program in accordance with increasing professional requirements in a more complex public sector.



## PART 2 OVERVIEW



## Role and responsibilities

The Auditor-General, assisted by the ANAO, is responsible for undertaking audits of the financial statements and performance of Australian Government public sector entities. Through the delivery of an integrated range of high-quality audit products that are timely, cost-effective and consistent with public sector values, we aim to meet the needs and expectations of the parliament, the executive and audit clients, and to add value to public sector performance and accountability.

The *Auditor-General Act 1997* (the Act) provides a legislative framework for the Office of the Auditor-General and the ANAO. The Act establishes the Auditor-General as an independent officer of the parliament—a title that symbolises the Auditor-General’s independence and unique relationship with the parliament. The Act also outlines the mandate and powers of the Auditor-General as the external auditor of Australian Government public sector entities.

The Auditor-General’s mandate extends to all Australian Government agencies, authorities, companies and subsidiaries, with the exception of the conduct of performance audits of Government Business Enterprises and of persons employed or engaged under the *Members of Parliament Act 1994*.



*The Deputy Auditor-General, Steve Chapman, and the Auditor-General, Ian McPhee.*

## Vision

Our vision is to be an international leader in the provision of independent public sector audit and related services.

The ANAO's two planned outcomes are directly related to our role and vision:

- *Improvement in public administration*—independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness.
- *Assurance*—independent assurance of Australian Government public sector financial reporting, administration, control and accountability.

We deliver these outcomes by implementing strategies and achieving objectives in four key result areas:

- our clients
- our products and services
- our people
- our business performance.

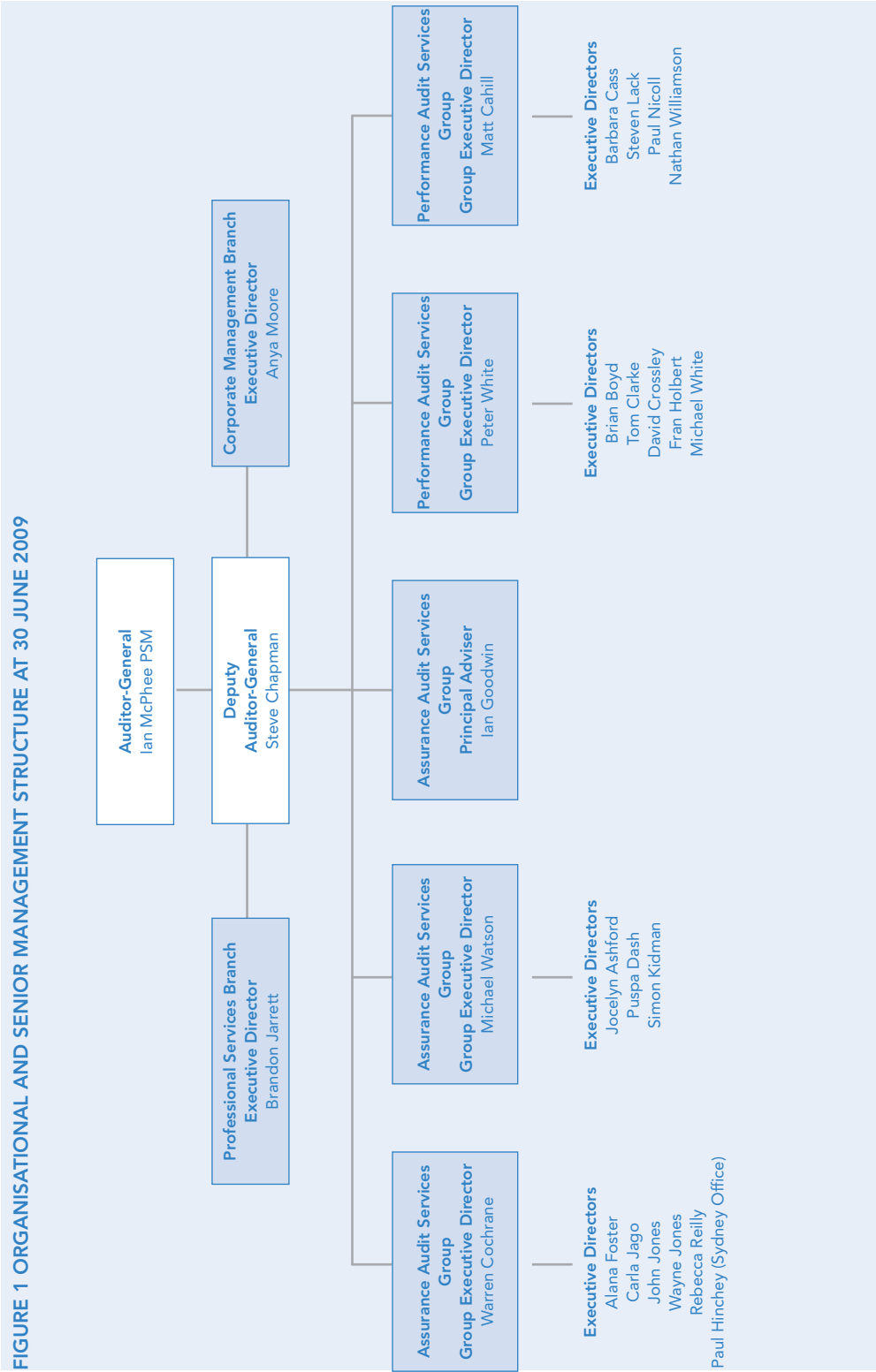
## Organisation

The ANAO is organised into three functional groupings:

- The Assurance Audit Services (AAS) Group provides independent assurance on the financial statements and financial administration of Australian Government public sector entities to the parliament, the executive, boards, chief executive officers and the public.
- The Performance Audit Services (PAS) Group contributes to improved public sector administration and accountability by adding value through a program of performance audits and related products.
- The Corporate Support (CS) Group provides administrative and technical support for our business operations. Corporate Management Branch provides administrative support, and Professional Services Branch provides professional services such as technical support, quality assurance, professional newsletters and technical seminars.

Most of our staff are located in Canberra, but we have a small regional office in Sydney.

The organisational and senior management structure of the ANAO at 30 June 2009 is shown in Figure 1.



## Outcomes and outputs framework

This section describes our outcomes and outputs framework, as set out in the 2008–09 Portfolio Budget Statements (PBS). Figure 2 shows current outputs and their relationships through output groups to our outcomes.

The three output groups contribute to the achievement of our outcomes. The ‘Report on performance’ section of this report outlines each of our output groups and details the performance of those groups in achieving the outcomes. The financial resources for 2008–09, on an outcome–output basis, are summarised in Table 1. Table 2 and Table 3 detail the financial resources for each outcome.

Our financial statements for 2008–09 and a commentary on our financial performance for the financial year are set out in Appendix 1.

**FIGURE 2 OUTCOMES AND OUTPUTS FRAMEWORK, 2008–09**

ANAO outcomes		
<b>Outcome 1</b> Independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and estimate of actual administrative effectiveness	<b>Outcome 2</b> Independent assurance of Australian Government public sector financial reporting, administration, control and accountability	
ANAO output groups		
<b>Output Group 1</b> Performance Audit Services (see page 17)	<b>Output Group 2</b> Information Services (see page 30)	<b>Output Group 3</b> Assurance (see page 41)
<b>Output Group 1.1</b> Performance audit reports (see page 18)	<b>Output Group 2.1</b> Assistance to Parliament (see page 31)	<b>Output Group 3.1</b> Financial statement audit reports (see page 43)
<b>Output Group 1.2</b> Other audit and related reports (see page 23)	<b>Output Group 2.2</b> National and international representation (see page 31)	<b>Output Group 3.2</b> Other assurance reports (see page 48)
<b>Output Group 2.3</b> Client seminars (see page 36)		
<b>Output Group 2.4</b> Better practice guides (see page 37)		

## Financial summary

Our overall financial position for 2008–09 was an operating deficit of \$1.455 million (down from an operating surplus of \$1.598 million in 2007–08), resulting from new and expanded government initiatives and the need to engage experienced contractors with specialist skills not available internally.

The office continues to have sufficient assets to meet ongoing liabilities and commitments, including employee entitlements and asset replacement. More detailed information on our financial position is outlined in Appendix 1.

Our independent auditor found that our financial systems and controls were operating effectively and year-end financial statement preparation procedures were well organised and undertaken in an efficient and timely manner. Internal audit coverage during the year also found that our control environment is sound.

ANAO's 'Agency resource statement, 2008–09' and 'Total resources for outcomes, 2008–09' are in Appendix 1.





## PART 3 REPORT ON PERFORMANCE



## Performance overview

Australian Government agencies, including the ANAO, must measure their planned and actual performance in achieving their outcomes as set out in the annual Portfolio Budget Statements. Outcomes are the impacts on the Australian community of actions by the government.

For 2008–09, agencies are required to identify the output groups that contributed to their outcomes; from 2009–10, reporting will be by program, rather than by outputs.

Performance measures are specified in the ANAO’s 2008–09 Portfolio Budget Statements for each of our three output groups:

- Output Group 1—Performance Audit Services
- Output Group 2—Information Services
- Output Group 3—Assurance Audit Services.

This section presents the scorecard from our Portfolio Budget Statements and Business Plan, which applies to all outputs (see Table 1). Subsequent sections describe the performance of the three output groups.

**TABLE 1: INDICATORS AND TARGETS COMMON TO OUTCOMES 1 AND 2**

Performance indicators	2008–09 target	2008–09 result
Parliament acknowledges the value of the ANAO contribution.	90% value role of ANAO.	94% of parliamentarians surveyed expressed satisfaction with ANAO products and services. <sup>a</sup>
Public sector entities acknowledge the value added by ANAO products and services.	90% value role of ANAO.	Assurance Audit Services: 90%. <sup>b</sup> Performance Audit Services: 83%. <sup>c</sup>
JCPAA’s general satisfaction with the overall quality, timeliness and coverage of the ANAO’s products and services.	High standard of satisfaction.	JCPAA survey responses indicate a very high level of satisfaction with ANAO’s work, with all members expressing overall satisfaction and 71% very satisfied. <sup>a</sup>

a Parliamentary Survey, January 2009 (next survey due for completion second half of 2008).

b AAS Client Survey, March 2009.

c PAS Client Survey, August 2009.

## Outcome 1—Output Group 1, Performance Audit Services

Output Group 1, Performance audit services, contributes to Outcome 1. Outcome 1 aims to achieve an improvement in public administration by carrying out an independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness.

Output Group 1 aims to improve public administration, through:

- Output 1.1: Performance audit reports

Key result: an improvement in the efficiency and effectiveness of public administration and the identification and dissemination of better practices.

- Output 1.2: Other audit and related reports

Key result: the Auditor-General may also undertake other assurance activities. These include the review of Defence Materiel Organisation's major defence acquisition projects and reviews of government advertising campaigns, as well as requests from stakeholders, which are handled through correspondence rather than through a formal report. The work of this group also includes the publication of the annual audit work program.

Typically, performance audits examine governance arrangements, information systems, performance measures, monitoring systems and legal compliance. Audits are conducted in accordance with ANAO Auditing Standards. All performance audit reports are tabled in the parliament. Table 2 describes the performance of Output Group 1 against the performance indicators in the 2008–09 Portfolio Budget Statements.

**TABLE 2: OUTPUT GROUP 1—PERFORMANCE AGAINST 2008–09 PORTFOLIO BUDGET STATEMENTS PERFORMANCE INDICATORS**

Outcome 1: Improvement in public administration <i>Independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness</i>		
Key performance indicators	2008–09 target	2008–09 result
Number of performance audits to be produced.	45	45
Other reports and significant stakeholder publications.	2	2
Percentage of audit recommendations supported by the JCPAA and other parliamentary committees.	90%	JCPAA Reports No. 412 (August 2008) and No. 414 (June 2009) together reviewed 26 performance audits. These two reports supported all ANAO recommendations. No other parliamentary committees disagreed with our report recommendations.
Percentage of audits where public sector entities acknowledge the value added by the audit.	90%	91% of audit recommendations were agreed in full.
Quality assurance results indicate all reviewed audits meet ANAO Auditing Standards.	100% of audits reviewed	100%
Full costs of audit products and services recorded and reported.	100%	100%

## Output 1.1: Performance audit reports

*The Auditor-General Act 1997* authorises the Auditor-General to conduct, at any time, a performance audit of an entity, a Commonwealth authority or company, other than a Government Business Enterprise (GBE) or any of its subsidiaries. The Auditor-General may conduct a performance audit of a fully owned GBE or its subsidiaries if the responsible minister, the Finance Minister or the Joint Committee of Public Accounts and Audit (JCPAA) requests the audit.

A performance audit is an independent, objective and systematic examination of the operations of a body to form an opinion on whether:

- management of the operations is economical, efficient and effective
- internal procedures for promoting and monitoring economy, efficiency and effectiveness are adequate
- improvements might be made to management practices (including procedures for promoting and monitoring performance).

In seeking to improve public administration, performance audits also identify better practices, which may then be incorporated into better practice guides produced by the ANAO for dissemination throughout the Australian Government sector. Better practice guides are discussed under Output Group 2.

Because of the size, complexity and diversity of many Australian Government entities, a performance audit usually examines selected program activity. Cross-portfolio or cross-agency performance audits, which include business support process audits and protective security audits, examine the same issue or activity in a number of entities, and the findings and recommendations of these audits are likely to have application across other public sector entities.

Audit topics are selected with two major considerations in mind:

- where an audit can be expected to add the greatest value in improved accountability, economy, efficiency or administrative effectiveness
- to ensure appropriate coverage of entity operations within available audit resources.

The Auditor-General may also undertake audits on request, for example, from the parliament, ministers or parliamentarians. In the case of requests for reviews which are relatively straightforward, we are often able to respond through normal correspondence rather than a formal report.

Performance audits are summarised by portfolio in Appendix 4.

### Themes of performance audits

Our Performance Audit Work Program is developed annually in consultation with the JCPAA and audited entities (see Output 1.2). A major outcome from our performance audit work is improvement in the management and administration of major Australian Government programs. Performance audit reports also provide assurance to the parliament about the way an area of public administration is being conducted.

The themes identified for the work program in 2008–09 are summarised in Table 3.

**TABLE 3: EXAMPLES OF PERFORMANCE AUDITS BY THEME, 2008–09**

Theme	Audited activities
Governance and project management <sup>a</sup>	Approval of Funding for Public Works, Management of Domestic Fishing Compliance, Administration of the Petroleum Resource Rent Tax, Centrelink's Tip-off System, and the Department of Immigration and Citizenship's Settlement Grants Program
Border security and national security	Management of the Movement Alert List, Army Reserve Forces, Management of the Australian Government's Action Plan to Eradicate Trafficking in Persons, and the National Marine Unit
Community support and wellbeing	Centrelink's Complaints Handling System, Planning and Allocating Aged Care Places and Capital Grants, and Business Continuity Management and Emergency Management in Centrelink
Environment	Illegal, Unreported and Unregulated Fishing in the Southern Ocean, and Green Office Procurement and Sustainable Office Management
Industry, science and education	Tourism Australia, Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme, and Funding for Non-government Schools
Transformation of entities	No audits relating to this theme were reported in 2008–09, but two were under way at the end of June 2009: Reform of the Child Support Agency and the Australian Taxation Office's Management of the Change Program.

a Includes whole-of-government initiatives, financial management, information system integrity, and compliance with policy and legislative requirements.

In 2008–09, we conducted performance audits across a wide variety of entities and activities. As well as providing assurance to parliament on how a range of Australian government programs were being managed and administered, performance audit reports identified opportunities for improvement—not only for the audited entities, but also for the wider public sector.

For example, Audit Report No. 25 2008–09 *Green office procurement and sustainable office management* assessed and reported on progress by government entities in achieving better practice in those areas. Sixty-three entities were surveyed, and detailed validation was carried out in nine cases. Together with its seven recommendations, the audit report described a number of initiatives, and provided practical examples, to promote better practice and to assist all public sector entities to meet the government's expectations in this area.

Another topic with implications for the public sector as a whole is business continuity management. In 2008–09, we conducted performance audits of the adequacy and effectiveness of business continuity management practices and procedures in the Australian Tax Office and in Centrelink, and published a Better Practice Guide, *Business continuity management—Building resilience in public sector entities*.



*Performance auditor Stephen Cull (right) on a site visit to the Advanced Waste Water Treatment Plant at Luggage Point in Brisbane, as part of the audit of the Water Smart Australia grants program.*

In the area of governance and project management, we conducted a number of performance audits on the Department of Defence's procurement of major capital equipment. These included an audit of the planning and approval process for these acquisitions, together with audits of specific projects, such as the M113 Armoured Personnel Carrier upgrade and the Super Seasprite helicopter acquisition. In conjunction with the DMO, we produced the first assurance report on the status of nine Defence equipment acquisition projects, intended as a pilot of an annual major projects report to parliament. We also conducted performance audits on the management of the tender process for the construction of Defence's new Joint Operation Headquarters, and of the effectiveness of sustainability arrangements for the Collins-class submarine force.

Border security was another area of focus. We conducted performance audits of the Australian Customs Service's National Marine Unit, and of its control of illegal, unreported and unregulated fishing in the Southern Ocean. We also reported on the construction of the Christmas Island Immigration Detention Centre, and on the Department of Immigration and Citizenship's management of the Movement Alert List.

## Audits undertaken by formal request of the parliament, ministers or parliamentarians

Three audits were tabled during 2008–09 as a result of formal requests from the parliament:

- Audit Report No. 5 2008–09 *The Senate Order for Departmental and Agency Contracts* resulted from a request for the Auditor-General to provide to the Senate, by no later than 30 September each year, a report on the contract lists prepared by entities pursuant to the order.
- Audit Report No. 37 2008–09 *Online availability of government entities' documents tabled in the Australian Parliament* was undertaken in response to a recommendation in a report by the Joint Committee of Publications that proposed that the ANAO regularly monitor the online availability of government documents, especially those presented to the parliament.
- Audit Report No. 30 *Management of the Australian Government's Action Plan to Eradicate Trafficking in Persons* was conducted in response to a recommendation of the Parliamentary Joint Committee on the Australian Crime Commission's supplementary report to the inquiry into the trafficking of women for sexual servitude.

## Inclusion of entity comments in audit reports

Maintaining a relationship of professional cooperation with the audited entity during an audit is critically important. We consult fully with entities during the planning stages, provide early information on the audit approach and objectives, maintain open and regular communication with the entity, and advise audit conclusions and proposed recommendations as soon as practicable. In addition, under section 19 of the Auditor-General Act, the Auditor-General provides a copy of the proposed report to the audited entity or an extract to any person or any body that, in the Auditor-General's opinion, has a special interest in the information provided. If the entity gives written comments to the Auditor-General within 28 days of receiving the report, the Auditor-General must consider them before preparing a final report.

In the JCPAA's Report 386, *Inquiry into the Auditor-General Act 1997*, tabled in September 2001, the committee recommended a number of amendments to the Act. One recommendation was that the Auditor-General include entity comments on a proposed report in full in the final report. The government agreed to that recommendation, which we have put into practice since 2005–06. Recent amendments to the Auditor-General Act have given this practice legislative support.

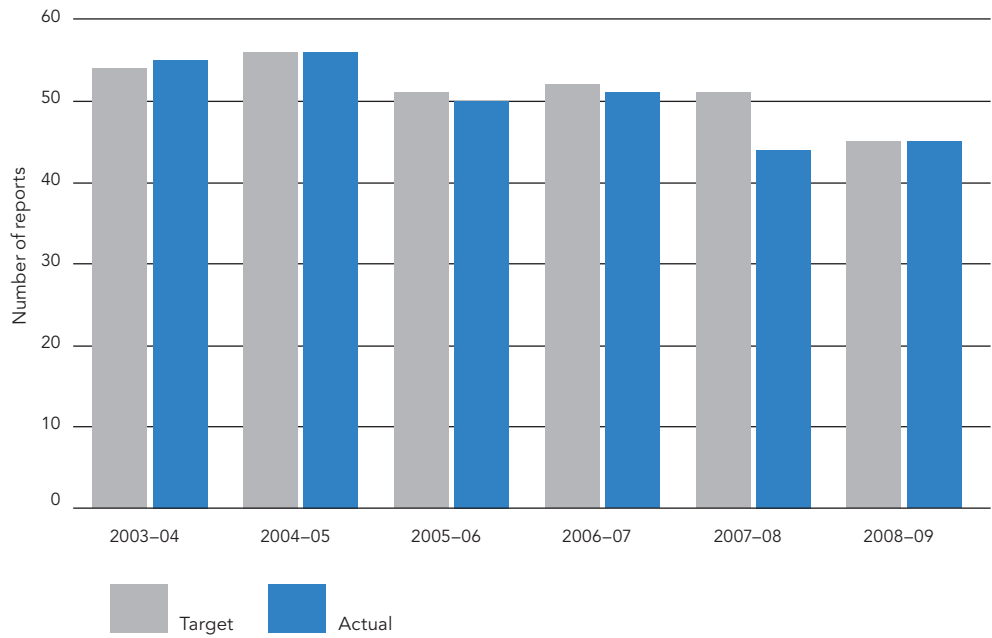
Table 4 summarises Output Group 1 performance in terms of number, timeliness and costs of performance audit reports. The increased timeframes and costs for reports tabled in 2008–09 reflect the impact of staff turnover on a number of completed audits.

**TABLE 4: OVERVIEW OF OUTPUT GROUP 1 PERFORMANCE, QUANTITATIVE MEASURES, 2007-08 AND 2008-09**

	Number of performance audit reports		Time taken to complete reports (months)		Average cost per report (\$m)	
	Target	Result	Average	Range	Average	Range
2008-09	45	45	13.2	5.5-24.1	0.39	0.14-0.65
2007-08	51	44	11.4	6.8-21.4	0.39	0.13-1.2

Figure 3 provides a comparison of the number of performance audit reports undertaken over the past six financial years.

**FIGURE 3: NUMBER OF PERFORMANCE AUDIT REPORTS**



## Recent amendments to the Auditor-General Act

On 25 February 2009, a number of amendments to the Auditor-General Act took effect, including ones relating to the consultation and reporting arrangements for performance audits. The main amendments are:

- the inclusion in the Act of a requirement for any comments received on a proposed performance audit report, issued pursuant to section 19 of the Act, to be included in full in the final audit report
- the legislative recognition of extracts of proposed performance audit reports that are at times provided to relevant parties for comment.

The effect of the latter amendment is that any comments received on a performance audit report extract must also be included in full in the final report. Previously, we took such comments into account in finalising the audit report but used our discretion about whether or not to include them in the final audit report. The amendment also means that report extracts are now covered by the confidentiality requirements of the Act that apply to persons who are in possession of audit information.

## Reviews of government advertising campaigns

On 2 July 2008, the government announced the *Guidelines on campaign advertising by Australian Government departments and agencies*, which govern the content and presentation of Australian Government campaign advertising.

The ANAO and departments have put in place arrangements to respond to the new requirements for government advertising, and have refined them in the light of experience. Departments, particularly the Department of Finance and Deregulation, worked closely with us to implement this new approach to government advertising.

In 2008–09, the ANAO issued 58 review reports relating to 28 campaigns. In its review role, the ANAO provides timely assurance and feedback on improvement opportunities in public administration. This is consistent with our goal of improving public administration through undertaking assurance activities.

Our experience in 2008–09 demonstrates that the Guidelines on campaign advertising are generally holding up well, and have been particularly useful in establishing the principles required for relevant government advertising campaigns. However, there remains further room for agencies to adjust business processes to better align with the requirements of the guidelines. Also there are several areas where, in the light of experience, the guidelines could be refined or supplemented by additional guidance. These matters have been brought to the attention of the responsible minister and the JCPAA.

## Output 1.2: Other audit and related reports

In 2008–09 we published two audit-related products: the Audit work program 2008–09 and Audit Report No. 9 2008–09 *Defence Materiel Organisation—Major projects report 2007–08*.



## Audit work program 2008–09

We publish a comprehensive annual audit work program each year. The work program provides a portfolio-level view of current, potential and reserve audit topics. While not all audits listed will be commenced, the publication assists parliament and entities by providing a clear indication of our areas of interest.

Audit activity planning takes into account risks, financial materiality, program significance, audit impact, visibility of the program, the extent of recent audit and evaluation coverage, and broad themes derived from the audit planning process. The work program is developed in consultation with the JCPAA and entities. This ensures that our audit products and outputs meet the needs of the parliament and public sector entities.

We developed the planned audit work program for 2008–09 during the second half of 2007–08. It was provided to the Prime Minister, the Leader of the Opposition, ministers, shadow ministers, the JCPAA and entity heads. The program outlined performance audits in progress at 1 July 2008 and listed performance audit topics from which audits for 2008–09 were selected. It also summarised the work programs that we intended to undertake under the other ANAO output groups. Similarly, during the second half of 2008–09 we developed the audit work program for 2009–10.



*Performance auditors Brian Dalzell and Bill Bonney.*

## Defence Materiel Organisation—Major projects report 2007–08

In June 2007, the Defence Materiel Organisation (DMO) and the ANAO began the joint development of a standardised project data summary sheet and management guidelines and processes, to enable the ANAO to annually review the cost, schedule and capability performance of up to 30 of the DMO's largest projects. The reviews are based on an annual limited review of each project's cost and schedule capability performance, rather than an in-depth review of the kind conducted in performance audits.

Project data in the DMO report for 2007–08 was reviewed and an independent conclusion on the data was provided to parliament in 2008–09. A qualified conclusion was provided on the accuracy of prime contract expenditure at base date prices. Project information on major risks and issues was deemed to be outside the scope of the review.

The review was conducted in accordance with ASAE 3000 *Assurance engagements other than audits or reviews of historical financial information*. By its nature, the review provided less assurance than an audit. The review approach built on international experience, particularly in the United Kingdom and the United States.

As well as reporting on the status of nine projects, this first review involved developing and testing processes, templates, guidelines and schedules for reviewing project data. This work will continue for some time, and feed into the next and subsequent reports covering a greater number of projects.

The following sections describe Output Group 1 performance in terms of other measures, including the satisfaction expressed by clients and stakeholders.

## Performance measures

### Feedback from parliament

The contribution of performance audit services to the work of the parliament is measured, in part, by a review of comments in parliamentary committee reports and at committee hearings. Parliamentary committee reviews of audit reports give an impetus to entities in implementing audit recommendations, and to the overall improvement of public administration resulting from performance auditing. In 2008–09, parliamentary committees continued to support audit conclusions and recommendations.

We also use a formal survey to understand how well we are meeting the expectations of parliamentary stakeholders. The 2008–09 parliamentary survey was the fourth such survey.

The research found that members of parliament and parliamentary committee secretaries generally had positive perceptions of the ANAO and valued its work highly. The ANAO was seen as playing a crucial role in ensuring accountability and transparency across the public sector. We received positive feedback for our products, our engagement with parliamentarians and the focus of our program.

We also received various suggestions on ways to improve our interactions with parliament. We are acting on those comments, which focused on four key areas applicable to performance auditing:

- *Focus of our products.* The ANAO endeavours to maintain a balance in its performance reporting. We seek a balance between products that address the key risks and challenges facing the Australian Government public sector and individual entities and products that are responsive to a changing environment and stakeholder requests and that cover matters of public interest.
- *Accessibility of our reports.* We are considering how our reports could be more easily accessed and viewed on our website. The aim is to give readers better choices of format (hard copy, electronic, or both).
- *Format of our reports.* We are working to refine our readability and to enable readers to select sections of reports appropriate to their needs.
- *Engagement with members of parliament.* We will review our current practices of visits, information sessions and material for parliament to make sure we engage in ways that are appreciated and beneficial.

## Review by the Joint Committee of Public Accounts and Audit

The JCPAA reviews all audit reports and conducts public inquiries into selected reports. We assist the JCPAA in its review work by providing submissions and background information to committee hearings.

The JCPAA tabled Report 412 *Audit reports reviewed during the 41st Parliament*. The committee considered all Auditor-General's reports from No. 43 of 2004–05 to No. 3 of 2007–08 inclusive and selected 25 audit reports for further detailed scrutiny. The report covered audit reports on a highly diverse range of government programs. The committee report noted shortcomings in program administration that were identified in several of the audits that pointed to a need for a greater focus on sound project management, contract management and risk management in the public sector, and better compliance with the accountability, record-keeping and reporting standards expected by the parliament.

The JCPAA tabled Report 414 *Review of Auditor-General's reports tabled between August 2007 and August 2008*. The report details the findings of the committee's examination of the audit reports it reviewed in the 42nd Parliament.

The five reports chosen by the committee for detailed scrutiny cover a range of entities and highlight a number of areas of concern, including the need to document processes and procedures to better understand and manage risk, as well as the need for staff training to ensure more effective and efficient use of existing systems.

The JCPAA also held inquiries into a number of the audit reports tabled since August 2008. The report of this work had not been completed by 30 June 2009. The reports examined by the JCPAA were:

- Audit Report No. 4 2008–09 *The business partnership agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*
- Audit Report No. 7 2008–09 *Centrelink's tip-off system*

- Audit Report No. 11 2008–09 *Disability Employment Services*
- Audit Report No. 12 2008–09 *Active After-school Communities Program*
- Audit Report No. 17 2008–09 *Administration of Job Network outcome payments*
- Audit Report No. 25 2008–09 *Green office procurement and sustainable office management*
- Audit Report No. 27 2008–09 *Management of the M113 Armoured Personnel Carrier Upgrade Project*
- Audit Report No. 28 2008–09 *Quality and integrity of the Department of Veterans' Affairs income support records.*

The JCPAA is conducting an inquiry into the role of the Auditor-General in scrutinising government advertising campaigns. Public hearings were held on 11 March and 13 May 2009, and a further hearing is scheduled for 2009–10 before the committee concludes its inquiry. The committee also maintains an ongoing oversight role in relation to the ANAO's review of DMO's Major Projects Report. The first annual public hearing on this matter was held on 19 March 2009; the committee has yet to issue its report.

### Responses from audited entities

Implementation of recommendations made in audit reports is not mandatory, and entities consider each recommendation on its merits. Improvements in administration and accountability and better service delivery are more likely if the recommendations in performance audit reports are agreed to by the audited entity at the time of the audit, and we make genuine efforts to achieve that result. However, disagreement sometimes occurs. When this happens, entity comments are included in full in the final report.

In 2008–09, we made 163 recommendations in our audit reports to improve entity performance and accountability. Our recommendations are sometimes presented in parts for clarity, so that it is possible for entities to agree with parts of one recommendation and disagree with other parts. Of the 163 recommendations, 149 (91 per cent) were fully agreed in all parts. The remaining 14 (9 per cent) were agreed but with some qualification.

This is similar to the 2007–08 result, when 93 per cent of our recommendations were fully agreed and 7 per cent were agreed overall, but with some qualification.

### Client survey

After each performance audit report is tabled, the ANAO seeks feedback on the audit process independently from the senior executive responsible for the audited program by means of a survey and an interview with the responsible manager. The survey is completed by a firm of consultants that is engaged by the ANAO, but is independent of the performance audit teams.

The response rate from auditees surveyed for the 2008–09 reporting period was encouraging at 79 per cent (compared to 55 per cent for 2007–08). The consultancy firm reported a slight increase in auditees' acknowledgment of the value added by ANAO products and services at 83 per cent (compared to 79 per cent for 2007–08). The percentage of auditees who considered that the auditors demonstrated that they had the

professional knowledge and audit skills required to conduct the audit remained consistent with the percentage in 2007–08—81 per cent.

The results of the survey are an important guide to the effectiveness of current practice and are also important in the development of new audit practices and approaches. The survey is an important business tool for improving the quality and effectiveness of performance audit products and services.

## Quality assurance

In accordance with the ANAO's quality assurance arrangements, a program of quality assurance reviews of selected performance audits was undertaken in 2008–09. The objective of our Quality Assurance (QA) program is to assess compliance with relevant auditing standards and professional requirements and associated quality control policies and procedures. The QA program is managed by the Professional Services Branch under the authority of the Deputy Auditor-General.

The 2008–09 program comprised a review of four audits and one information and advertising campaign review. The ANAO commenced these latter reviews for the first time in 2008–09. The reviews found that each of the audits reviewed and the information and advertising campaign review were undertaken in accordance with relevant auditing standards. The reviews identified a small number of areas where there are opportunities for improvement including in relation to security requirements, project management and the documentation of audit evidence.

The results of the QA reviews are considered by the senior executive and disseminated to all performance audit staff. The results are used to update the ANAO's policies and guidance material and we take them into account when preparing the performance audit learning and development program.

A peer review arrangement for performance audits involving the ANAO and the New Zealand Audit Office has been in place since 2000. Two performance audits from each office are reviewed every two years. This arrangement aims to strengthen performance audit practices in both offices through an exchange of constructive feedback and better practice. During 2008–09, the ANAO reviewed two New Zealand Audit Office audits and provided a report to the New Zealand Auditor-General.

From time to time, the ANAO also participates in peer reviews of performance or financial audits undertaken by state and territory Auditors-General. During 2008–09, we participated in a review with the New South Wales Audit Office of a small number of performance audits undertaken by the Victorian Auditor-General's Office.

The ANAO is leading an international peer review of the Office of the Auditor General of Canada. The objective is to give the Canadian Auditor General an independent opinion on whether that office's quality management system is suitably designed and operates effectively to provide reasonable assurance that the office's work complies with relevant legislative authorities and professional standards. The broad scope of the peer review covers the performance audit, special examination and financial audit work done by the office, as well as key services that support the audit work. The ANAO has asked the supreme audit institutions of the Netherlands, Denmark, Norway and Sweden to participate in the review. The review, which will report to the Auditor General of Canada in June 2010, will also include examples of good practice and areas for improvement.

## Benchmarking

The Australasian Council of Auditors-General Macro Benchmarking Project is an annual exercise that has been conducted since 1994. The overall aim is to provide, to the extent practicable, comparable information to audit offices across Australasia on quantitative and qualitative benchmarks of audit office operations and on specific characteristics of each jurisdiction.

ORIMA Research was commissioned to conduct the 2007–08 survey and to prepare the Macro Benchmarking Report. The ANAO participated in the survey, and the final report was released in December 2008. Benchmarking measures covered areas such as resourcing and operations, assurance audit activity, performance audit activity, and human resources.

No conclusions were drawn from this benchmarking project; however, a comprehensive set of data was produced, which is useful in identifying comparative performance in a wide range of subjects and activities relevant to our business.

## Cost of performance audit services output

Performance audit services output consumed \$23,594 million in 2008–09 (\$23,812 million in 2007–08). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

## Outcomes 1 and 2—Output Group 2, Information Services

Output Group 2, Information Services, contributes to both Outcome 1 and Outcome 2.

Outcome 1 aims to achieve an improvement in public administration by carrying out an independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness.

Outcome 2 aims to provide assurance to parliament, ministers, individual entities and the public about the financial statements and financial management of public sector entities.

Output Group 2 aims to both improve public administration and provide assurance about the financial administration and accountability of public sector entities, through:

- Output 2.1: Assistance to parliament

Key result: an understanding by ministers, shadow ministers, parliamentary committees and their staff and parliamentarians of audit reports tabled in parliament and the contribution that implementation of audit recommendations can make to improvements in public administration.

- Output 2.2: National and international representation

Key result: enhanced audit capabilities, standards and processes nationally and internationally.

- Output 2.3: Client seminars

Key result: an understanding by audit clients of topical and emerging issues, primarily in the field of financial reporting.

- Output 2.4: Better practice guides

Key result: promulgation of better practice in public administration, to improve the delivery of outcomes and gain efficiencies in administration.

The effectiveness of Output Group 2 contributions is assessed largely from formal and informal parliamentary and audit client feedback, and from client demand for our services. Our better practice guides continue to be in high demand, providing evidence of their usefulness to the Australian Government public sector. Table 5 describes the performance of Output Group 2 against the performance indicators in the 2008–09 Portfolio Budget Statements.

**TABLE 5: OUTPUT GROUP 2—PERFORMANCE AGAINST 2008–09 PORTFOLIO BUDGET STATEMENTS PERFORMANCE INDICATORS**

<b>Outcome 1: Improvement in public administration</b> <i>Independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness</i>		
<b>Outcome 2: Assurance</b> <i>Independent assurance of Australian Government public sector financial reporting, administration, control and accountability</i>		
Key performance indicators	2008–09 target	2008–09 result
Number of better practice guides to be produced.	3	3
Participation and contribution to relevant national and international auditing and accounting standards bodies and national audit office consultative forums.	Participation at relevant forums with strong synergies with achieving Australian Government policy and ANAO objectives.	Extensive participation in national and international forums. See Output 2.2 below.
Host international visits to the ANAO and respond to requests for information from international entities.	Meet all Australian Government and ANAO high-priority visits.	Continued to host visits from overseas delegations and provided direct assistance to the audit institutions of Papua New Guinea and Indonesia.
Seminar topics meet the needs of participants.	85% satisfied with presentation.	98%

## Output 2.1: Assistance to parliament

The parliament is the ANAO's key client. In 2008–09 we continued to actively support the work of the parliament by providing briefings and information to ministers, shadow ministers, parliamentary committees and their staff, and parliamentarians on audit reports tabled in the parliament.

The Joint Committee of Public Accounts and Audit (JCPAA) is the parliament's audit committee. Among its other responsibilities, the committee is the formal link between the parliament and the Auditor-General. In 2008–09, officers of the ANAO attended 17 private briefings and public hearings as part of the JCPAA's review of audit reports.

### Cost of assistance to parliament output

Assistance to parliament output cost \$0.536 million in 2008–09 (\$0.535 million in 2007–08). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

## Output 2.2: National and international representation

The ANAO contributes to the development of Australian and international auditing standards and professional practices.



## National representation

At the national level, the ANAO is a member of the Australian Council of Auditors-General, which comprises the Auditors-General of the Australian Government and each Australian state and territory, Fiji, New Zealand and PNG. The council's objective is to promote public sector auditing in the Australasian region through exchanges of experiences, ideas, training initiatives and cooperation.

We contribute to the council's work by attending business meetings, preparing papers, participating in information exchanges, and undertaking a two-yearly benchmarking survey, peer reviews and training.

The Tenth Biennial Australasian Council of Auditors General (ACAG) meeting was held in Wellington, New Zealand on 14 April 2009. The Tenth Biennial Australasian Council of Public Accounts Committees (ACPAC) followed from 15 to 17 April 2009. The Tenth Biennial ACPAC Conference was hosted by New Zealand's Finance and Expenditure Committee. The theme of the conference was Sharing Lessons—seeking improved accountability—facing new challenges.

Through our central email address, we responded to over 200 enquiries for information during the year.

## International representation

In meeting our responsibilities to international organisations, the Auditor-General and selected staff attend international conferences and workshops, participate in short-term placements and prepare research papers.

### **International Organization of Supreme Audit Institutions**

The ANAO participated in several working groups of the International Organization of Supreme Audit Institutions (INTOSAI) during 2008–09, as described in Table 6.

**TABLE 6: PARTICIPATION IN INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS WORKING GROUPS, 2008–09**

Group	Purpose	ANAO participation
Environmental Audit Working Group	Improving the use of audit mandate and audit instruments in the field of environmental protection policies, both by members of the working group and by non-member supreme audit institutions (SAIs). The working group pays special attention to joint auditing by SAIs of cross-border environmental issues and policies, and the audit of international environmental accords.	ANAO representatives attended a meeting and summit of the Group in Doha, Qatar, in January 2009, where they presented on the audit of the Conservation and Protection of National Threatened Species and Ecological Communities (Audit Report No. 31, 2006–07).
Sub-committee on Performance Audit	Disseminating the INTOSAI Implementation Guidelines for Performance Auditing, developing standards and guidelines for performance audit based on the guidelines, and monitoring and assessing the implications for performance audit of developments and reforms within the public sector and other fields (such as academia).	The ANAO is a member of and represents the Asian Organisation of Supreme Audit Institutions. The third meeting of the sub-committee was held in Oslo in April 2009. The two main agenda items involved developing a performance audit standard, and developing guidelines on how to introduce performance auditing in an SAI. The ANAO is a member of the sub-group working on the guidelines. Drafts of both the performance audit standards and guidelines were considered by the sixth meeting of the Steering Committee of the Professional Standards Committee held in Brasilia in June 2009.
Working Group on the Audit of Privatisation, Economic Regulation and Public–Private Partnerships	Responding to the increasing role of the private sector in providing what had previously been seen as ‘public’ services, such as electricity and transport. Their involvement takes many forms, including privatisations, contracting out and public–private partnerships.	The ANAO attended the conference meeting of the working group held in Moscow in March 2009, presenting a paper on the Australian Government’s response to the global financial crisis.
Working Group on IT Audit	Supporting SAIs in developing their knowledge and skills in the use and audit of IT by providing information and facilities for exchanges of experiences, and encouraging bilateral and regional cooperation.	An ANAO representative attended the 18th meeting of the working group in Doha, Qatar, in April 2009, presenting two papers covering the group’s website strategy and project governance structures and processes.

### **Asian Organisation of Supreme Audit Institutions**

The ANAO participated in the Asian Organisation of Supreme Audit Institutions Performance Audit Workshop held in Nilai, Malaysia, in August 2008. The workshop aimed to equip participants with the knowledge and skills to enable them to undertake performance auditing.

By the end of the workshop, the participants gained a thorough understanding of the performance audit process in accordance with INTOSAI and other relevant auditing standards. ANAO corporate documents and examples of our work, which were presented to the workshop, proved very popular.

### **Pacific Organisation of Supreme Audit Institutions**

The ANAO is a member of the Pacific Organisation of Supreme Audit Institutions, which did not meet in 2008–09.

### **Commonwealth Auditors-General Conferences**

The Auditor-General attended the 20th Commonwealth Auditors-General Conference in Bermuda in July 2008 and delivered a paper entitled Accountability for the 21st century—the powers and responsibilities of Commonwealth Auditors-General.

### **Auditors-General Global Working Group**

The Auditors-General Global Working Group is an informal forum for discussing common issues and challenges, identifying and sharing knowledge and best practice, learning from each other, and using knowledge and expertise to benefit the broader INTOSAI community. Members are Australia, Canada, Denmark, France, Germany, India, Ireland, Italy, Japan, Mexico, Morocco, the Netherlands, New Zealand, Norway, South Africa, Sweden, the United Kingdom and the United States.

The most recent meeting of the Global Working Group was held in Norway in May 2009. The Auditor-General presented a paper on changes in SAIs' roles caused by parliaments' requests or parliaments' changed focus and roles.

The ANAO will host the next Global Working Group meeting, which will be held in Sydney in March 2010. A small group of ANAO staff has begun working on this project.

### **Indonesian Board of Audit and the Papua New Guinea Auditor-General's Office**

AusAID has funded a three-year project for the ANAO to assist the Indonesian Board of Audit (BPK). In 2008–09, our staff conducted a number of performance and financial audit training courses in Jakarta. Six BPK staff were also seconded to the ANAO to develop their skills in financial and performance auditing. The BPK secondees are Dedy Eryanto, Cipto Nugroho, Amri Lewa, Thomas Hendarto, Gede Adnyana and Beni Subena.

This project will strengthen the BPK's capacity to conduct performance and financial audits, and fits within the Australian Government's broad initiative to assist capacity building in the Republic of Indonesia. The BPK has a key role in addressing fraud and corruption.

The aim of the AusAID-funded Australian National Audit Office – Papua New Guinea (PNG) Audit Office Twinning Scheme is to develop the knowledge and skills of graduates and build the capacity of the PNG Audit Office. Four staff of the PNG Audit Office have been seconded to the ANAO to develop their skills in financial auditing. Two of the secondees are placed in the ANAO's offices in Canberra, and two officers are seconded to the New South Wales Auditor-General's Office. The secondees are To'oro Aveve and Jamie Kora at our Canberra head office, and Collin Pake and Paulson Undi at the NSW Audit Office.

During 2008–09, ANAO officers made two visits to PNG. The first was a visit by the Chief Information Officer to assess the IT environment and provide a strategic plan for the introduction of an IT network in the PNG Audit Office. As further assistance more than 40 retired computers were shipped to the PNG office during the year. The second visit was by the Executive Director of Corporate Management Branch to assist in the development of a performance management scheme.

At the same time, under the AusAID-funded Strongim Gavman Program, two senior ANAO officers are posted to the PNG Audit Office. The program is a whole-of-government engagement program involving Australian Government entities that provide capacity development assistance and advice to counterpart PNG Government entities. The program's overarching goal is to assist the PNG Government to strengthen public sector performance in selected sectors and entities.



*Secondees from the Indonesian Board of Audit and the Auditor-General's Office, Papua New Guinea. Top row, left to right: Cipto Nugroho, Thomas Hendarto, Dedy Eryanto, Beni Subena, Amri Hewa. Bottom row: To'oro Aveve (PNG) and Gede Adnyana.*

### International visitors

The ANAO contributes to the development of other audit offices by hosting international visitors and visit groups throughout the year. During 2008–09, we hosted 15 short-term visits for 150 delegates from a number of countries, including the Republic of Korea, Indonesia, Canada, the United Arab Emirates, China and Iraq. Delegates provided very positive feedback on their visits.

Our international staff exchange program with the Office of the Comptroller and Auditor-General of Ireland and the Office of the Auditor-General of Canada continued during the year, with five staff seconded overseas.

### Cost of national and international representation output

National and international representation output cost \$1.335 million in 2008–09 (\$1.263 million in 2007–08). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

### Output 2.3: Client seminars

In addition to our primary role of providing independent assurance and advice to the parliament, we also support and advise audit clients on matters that complement our primary role and fall within our area of expertise.

As part of this work, we arrange seminars to advise on topical and emerging issues, with a focus on improved financial reporting. These seminars, which continue to generate a great deal of interest, were well received by attendees.

During the year, a number of our staff accepted invitations to speak to Australian Government entities and other bodies on topical matters and issues arising from audit reports and better practice guides. More information on those presentations is in Appendix 5.

We periodically publish two newsletters to inform entities of audit-related items of general interest and to provide technical accounting and auditing information:

- *AUDITFocus* captures lessons from our audit work that are likely to be of general interest and application to entities. The three editions published in 2008–09 included articles on such issues as managing recruitment; the ANAO's assurance activities; the use of memorandums of understanding; the management of credit cards; and green office procurement and sustainable office management.
- *Opinions* gives audit clients information on developments in financial reporting and disclosure, together with details of performance audit activity and our better practice guides. Three editions were published in 2008–09.

Both newsletters are available from our website.

### Cost of client seminars output

Client seminars output cost \$0.056 million in 2008–09 (\$0.054 million in 2007–08). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

### Output 2.4: Better practice guides

Better practice guides contribute to improved public administration by providing a mechanism for recognising better practices in organisations and promulgating them to all Australian Government entities. This can involve examining practices in the public or private sectors, in Australia or overseas. Our emphasis is on identifying, assessing and articulating good practice from our knowledge and understanding of the public sector, particularly by providing guidance in areas where improvements are warranted.

During 2008–09, we continued to participate in a number of Australian public sector forums, seminars and conferences to increase awareness of better practice guides and other audit reports. We continued to encourage entities to use better practice guides to review their own practices.

Depending on the subject, better practice guides can be developed from information collected during an audit or prepared to meet an identified need for guidance in a particular area of public administration. The three better practice guides published in 2008–09 are described in Table 7.

Our better practice guides continued to be well received by public sector entities, other audit offices and professional organisations.

**TABLE 7: BETTER PRACTICE GUIDES PUBLISHED IN 2008–09**

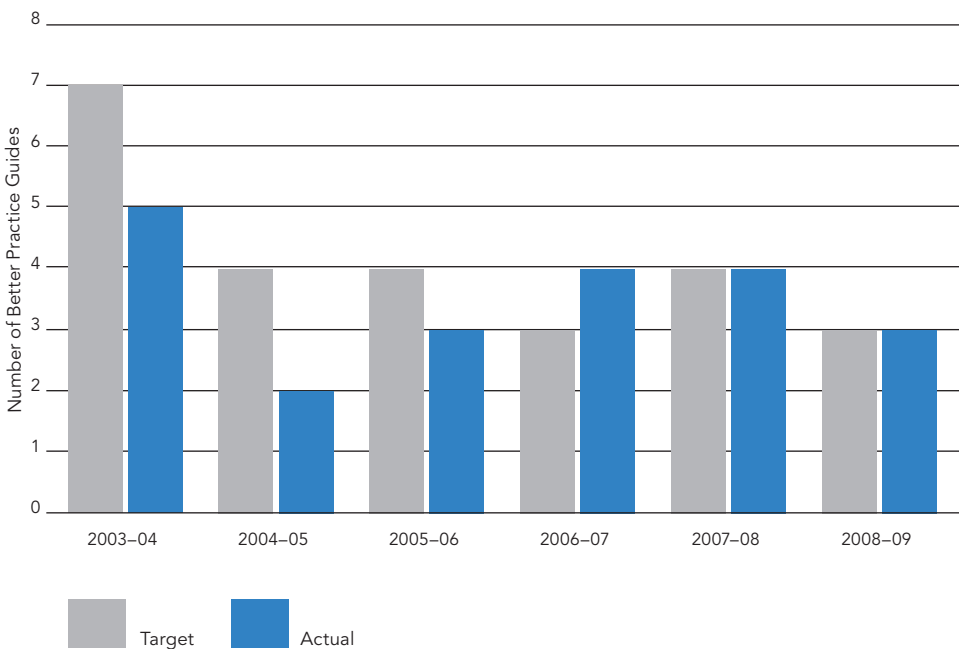
<i>Business continuity management—Building resilience in public sector entities</i>	<p>Business continuity management is an essential component of good public sector governance. It supports and sustains an entity's business strategy goals and objectives in the event of disruptions. <i>Business continuity management—Building resilience in public sector entities</i> was published in June 2009. This guide discusses key elements of business continuity management and includes a workbook with examples, templates and checklists for each element. The guide updates and replaces a guide issued in 2000.</p>
<i>Preparation of financial statements by public sector entities</i>	<p><i>Preparation of financial statements by public sector entities</i>, which was published in June 2009, updates and replaces a guide published in April 2006. It provides guidance to entities on the preparation of entities' financial statements, which are the primary mechanisms by which they fulfil their financial accountability obligations.</p> <p>The guide discusses factors that should assist entities to prepare accurate and timely financial statements, and contains a toolkit with checklists, proformas and sample documentation that they can use.</p> <p>It includes material relating to entities' whole-of-government reporting responsibilities and the certificate of compliance process, and provides further guidance on using the work of experts. This guidance is particularly relevant because of the requirement to measure a number of financial statement items at fair value.</p>
<i>SAP ECC 6.0 Security and control</i>	<p><i>SAP ECC 6.0 Security and control</i>, issued in June 2009, updates and replaces earlier SAP guides. It is intended to assist Australian Government entities to strengthen security and application controls within SAP. The guide is designed to help entities to identify and assess business impacts as a result of control weaknesses; increase awareness of risks to security and control; strengthen security controls to ensure that user access is appropriately restricted and segregated; and implement better practice procedures to improve the delivery of financial processes.</p> <p>The guide covers those modules of SAP that are most likely to be implemented by public sector entities: Procurement and Payables; General Ledger; Human Resources; Basis; Controlling; Project System; and Asset Accounting. In addition, it contains several supplementary feature articles on emerging topic areas.</p>



*Professional Services Branch staff members Linda Bidgood and Chris Parkinson.*

Figure 4 shows the numbers of better practice guides published over the six years to 2008–09.

**FIGURE 4: PUBLICATION OF BETTER PRACTICE GUIDES, 2003–04 TO 2008–09**





## Cost of better practice guides output

Better practice guides cost \$0.616 million in 2008–09 (\$0.544 million in 2007–08). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

## Performance measures

In 2008–09, the distribution of Output Group 2 costs was 67 per cent to Outcome 1 and 33 per cent to Outcome 2. Table 8 shows the cost of each output.

**TABLE 8: COSTS OF OUTPUT GROUP 2 (\$ MILLION), 2007–08 AND 2008–09**

	Output 2.1	Output 2.2	Output 2.3	Output 2.4
2008–09	0.536	1.335	0.056	0.616
2007–08	0.534	1.263	0.054	0.544

The following sections describe Output Group 2 performance in terms of other measures, including the satisfaction expressed by clients and stakeholders.

## Perceptions of services to parliament

We conducted the 2008 Parliamentary Survey to obtain feedback on the extent to which the ANAO's products and services meet the needs of parliamentarians. The survey found that senators, members of parliament and parliamentary committee secretaries had overall positive perceptions of the ANAO and highly valued our work.

## Effectiveness of representative activities

Extensive interaction between the ANAO and other supreme audit institutions, in terms of both providing advice and participating in activities, is an indication of the value placed on ANAO involvement.

## Seminar participation and satisfaction

The five financial reporting seminars that we conducted in 2008–09 attracted a total attendance of more than 400 entity representatives. Over 98 per cent of attendees who provided feedback indicated that the seminars met their objectives and that the course content was useful.

## Outcome 2—Output Group 3, Assurance Audit Services

Output Group 3, Assurance Audit Services, contributes to Outcome 2. Outcome 2 aims to provide assurance to the parliament, ministers, individual entities and the public about the financial statements and financial management of public sector entities, through:

- Output 3.1: Financial statement audit reports

The result to be achieved from financial statement audit reports is assurance to the parliament that the financial statements of Australian Government entities have been prepared in accordance with the government's reporting framework and give a true and fair view of the financial position of each entity and the results of the entity's operations and cash flows.

- Output 3.2: Other assurance reports

Other assurance reports provide assurance to entities on selected matters outside the scope of the annual financial statement audit.

By conducting financial statement audits and other assurance audits, the ANAO provides assurance to individual entities, ministers, the parliament and the public about the financial administration and accountability of public sector entities. The audits are designed to demonstrate that an entity's financial statements fairly represent its financial operations and financial position at the end of the financial year. The ANAO also recommends improvements in financial administration, further contributing to improvements in efficiency.

Other assurance reports provide assurance to entities on selected matters outside the scope of the annual financial statement audit.

Table 9 describes the performance of Output Group 3 against the performance indicators in the 2008–09 Portfolio Budget Statements.

**TABLE 9: OUTPUT GROUP 3: PERFORMANCE AGAINST 2008–09 PORTFOLIO BUDGET STATEMENTS PERFORMANCE INDICATORS**

<b>Outcome 2: Assurance</b> <i>Independent assurance of Australian Government public sector financial reporting, administration, control and accountability</i>		
Key performance indicators	2008–09 target	2008–09 result
Number of financial statement audit opinions to be issued.	246	246
Number of financial statement related reports to be produced.	2	2
Number of other audit opinions/ reviews.	46	52
Timeliness of issuing financial statement audit opinions.	100%	90% issued on the day or within two working days of signing the financial statements <sup>a</sup>
Percentage of financial statements completed in accordance with agreed timeframes.	100%	85% <sup>b</sup>
Quality assurance results indicate all reviewed audits meet ANAO Auditing Standards.	100%	The reviews undertaken identified no serious departures from the auditing standards, although a number of matters required attention, including improving documentation of work performed.
Full costs of audit products and services are recorded and reported.	100%	100%

a Our aim is to issue the audit opinion on the same day that the signed financial statements are received by the ANAO. However, closure within two days is considered acceptable. We continue to work with entities' chief financial officers to improve this result.

b Performance under this indicator is the primary responsibility of entities. However, we continue to work closely with entities' audit committees and chief financial officers to improve this result.

## Audit fees

CAC Act bodies are required to pay fees for the audit of their financial statements. The fees are based on a scale determined by the Auditor-General under section 14 of the *Auditor-General Act 1997*. Section 14 also requires the Auditor-General to include in the ANAO annual report details of the basis on which the Auditor-General determined the audit fees that applied during the financial year concerned. In relation to audits by arrangements, under section 20(2) an arrangement may provide for the payment of fees to the Auditor-General. The fees are received by the Auditor-General on behalf of the Commonwealth.

In determining audit fees, we continue to use a system whereby the audit fees charged for financial statement audits are calculated on a cost-recovery basis using an accrual-based costing model to determine an hourly charge-out rate for each staff classification per level. The costing model takes into account all relevant costs, including the attribution of overhead costs.

## Cost of assurance audit services

Assurance audit costs for each audit are calculated on the basis of the actual cost of audit hours utilised and provide for recovery of office overhead costs. The audit costs may be either notionally or actually billed. Notional cost recovery means that the ANAO accounts for the costs of performing the audit service without actually billing the auditee. The auditee accounts for the provision of those services as a resource received free of charge and discloses the fee by way of a note in its financial statements. Billed fees paid by CAC Act bodies are not retained by the ANAO and are paid into the Consolidated Revenue Fund.

## Output 3.1: Financial statement audit reports

The ANAO conducts financial statement audits each year to express an opinion on whether the financial statements of Australian Government entities have been prepared in accordance with the government's reporting framework and give a true and fair view (in accordance with applicable Australian Accounting Standards) of the financial position of each entity and the results of the entities' operations and cash flows. The Auditor-General delegates signing responsibility for some financial statement audits to senior ANAO staff in accordance with accountabilities under the annual work program.

In addition to the audit opinion on financial statements, we provide each audited entity with a report that deals with the findings of the financial statement audit and an assessment of business or accounting processes, including the internal control framework. A report on the audit is also provided to the responsible minister.

We also table two reports in the parliament each year: the audit of the financial statements of Australian Government entities, tabled in December; and the findings of interim financial statement audits, tabled in June.

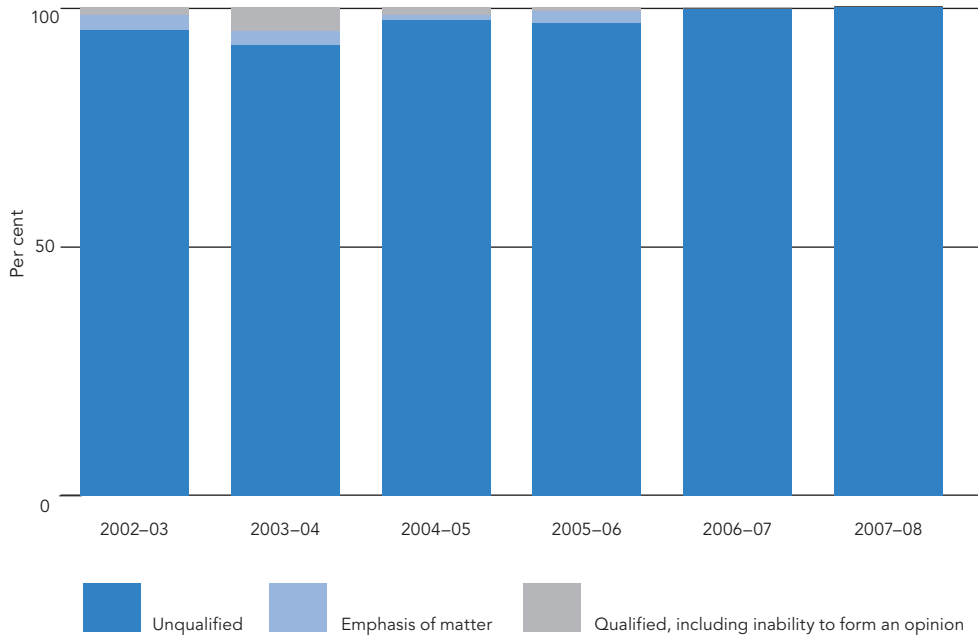
## Financial statement audit opinions

Entities publish their financial statements each year in their annual reports. Financial statements must be accompanied by an audit opinion pursuant to legislative requirements. The audit opinion issued by the ANAO adds credibility to the financial statements, thereby allowing all Australian Government entities to fulfil their own accountability obligations.

We use a risk-based methodology in our financial statement audits. The methodology emphasises the need for a detailed understanding of the client's organisation and associated business risks, and places great reliance on business processes and management. Our audit methodology is supported by customised technology and comprehensive training programs.

Where an entity's financial statements do not fairly represent its financial operations and position, the audit report is 'qualified'. The need to qualify an audit opinion can arise for a number of reasons. However, through a professional working relationship, we seek to support initiatives by the management of each entity to mitigate factors that may result in a qualified opinion. All audit opinions issued which relate to the 2008–09 financial year, were unqualified. Figure 5 shows audit opinions from 2002–03 to 2007–08.

FIGURE 5: COMPARISON OF AUDIT OPINIONS



a The 'emphasis of matter' references are provided in unqualified reports to draw the reader's attention to important matters that aid understanding of the financial statements.

Financial statement audit—period ended 30 June 2008

The report *Audits of the financial statements of Australian Government entities for the period ended 30 June 2008* was tabled in December 2008. This report summarised the final result of the audits of the financial statements of Australian Government entities, and the consolidated financial statements of the Australian Government. It also commented on key developments in the financial reporting and auditing framework that affect the Australian Government and its reporting entities.

Material entities comprise 99 per cent of revenues, expenses, assets and liabilities of the Australian Government. We plan our financial statement audits so that audit clearance and audit opinions are able to be issued in accordance with Australian Government timelines. In the 2007–08 year, the Department of Finance and Deregulation set audit clearance for material entities at 15 August 2008.

For non-material entities, the date was 31 August 2008. Some 85 per cent of material entities met the 15 August 2008 deadline, and 57 per cent of non-material entities met the deadline of 31 August 2008. This was an overall improvement on the result achieved for 2006–07, when 76 per cent of material entities and 59 per cent of non-material entities met the deadlines relevant to that year.

The report *Audits of the financial statements of Australian Government entities for the period ended 30 June 2008* also provided details of the number of unmodified audit opinions (clear opinions) issued. There were no qualified audit opinions, and one audit opinion containing an 'other legal and regulatory requirements' matter, which related to a

breach of section 83 of the Constitution. This result is consistent with the trend over recent years to fewer qualified audit opinions.

The report also detailed the results of the individual financial statement audits and any additional significant control issues identified by each audit. Continuing a trend, there was a reduction in the number and significance of issues arising from the final phase of the 2007–08 financial statements audits. Common issues that we identified in the final audit phase included controls in entities' IT environments, such as system access controls; the segregation of duties, particularly in financial management information systems; data integrity controls in key business and financial systems; and financial statement preparation processes.

Generally, our audits also found that entities have made good progress in addressing and resolving, where possible, issues identified during the 2007–08 interim audit phase.

The importance of public sector entities' legislative compliance was reinforced by a government decision that, commencing from 2006–07, chief executives of each *Financial Management and Accountability Act 1997* (FMA Act) agency are required to provide an annual certificate of compliance with specified elements of the financial management framework. The directors of General Government Sector *Commonwealth Authorities and Companies Act 1997* (CAC Act) authorities and wholly owned companies are also required to provide an annual report on compliance with relevant aspects of CAC Act legislation.

The ANAO recognises the importance of legislative compliance and continues to include an assessment of compliance in relation to annual appropriations, special appropriations, annotated appropriations, special accounts and the investment of public moneys in its financial statement audits. Consistent with 2006–07 results, our 2007–08 audits found a high level of compliance in these areas.

However, less positively, the 2007–08 Certificate of Compliance process overall identified a significant increase in non-compliance with relevant legislative requirements. Although some of the increase may be due to better analysis and recording of non-compliance by entities, this result suggests that entities need to continue to reinforce the importance of legislative compliance by delegates and staff generally, and to further develop systems and procedures designed to prevent breaches occurring.

### Interim financial statement audit—period ended 30 June 2009

Our interim audits of agencies encompass a review of governance arrangements related to agencies' financial reporting responsibilities, and an examination of relevant internal controls, including information system technology controls. An examination of such issues is designed to assess the reliance that can be placed on internal controls to produce complete and accurate information for financial reporting purposes.

The report *Interim phase of the audit of financial statements of General Government Sector agencies for the year ending 30 June 2009* was tabled in June 2009. This report presented the results of the interim phase of the 2008–09 financial statement audits.

A central element of the ANAO's financial statement audit methodology, and the focus of the interim phase of our audits, is a sound understanding of an entity's internal controls. To gain that understanding, the ANAO uses the framework contained in the Australian Auditing Standards ASA 315 *Understanding the entity and its environment and assessing the risks of*

*material misstatement.* The key elements of internal control, as discussed in ASA 315, are the control environment; the risk assessment process; information systems, including related business processes relevant to financial reporting, and communication; control activities; and monitoring of controls.

The final phase of most audits will be completed in the period from July to September 2009. Consistent with past practice, a second report will be tabled in the parliament in December 2009, following completion of the financial statement audits of all entities for 2008–09. At that time, the ANAO will also report on any additional control issues arising from the final audits.

The ANAO rates its audit findings according to a risk scale. Audit findings that pose a significant risk to the entity, and that should be addressed as a matter of urgency, are rated as 'A'. Findings that pose a moderate risk are rated as 'B'; these should be addressed by entities within the next 12 months. Findings that are procedural in nature, or reflect relatively minor administrative shortcomings, are rated as 'C'.

### **Control environment**

The ANAO assesses whether an entity's control environment includes measures that contribute positively to sound corporate governance in the preparation of the entity's financial statements. These measures should be designed to mitigate identified risks of material misstatement in the financial statements, and reflect the specific governance requirements of the entity.

Consistent with past findings, the ANAO observed that entities have in place key elements of a financial control environment designed to provide a sound basis for the effective preparation of entities' financial statements. Audit committees, in particular, continue to have a positive influence on the effectiveness of entities' control environment, particularly in the areas of risk assessment, legislative compliance and financial system controls. No instances of non-compliance with key elements of the financial framework have been identified in our interim audits. The Certificate of Compliance process, introduced in 2006–07, has resulted in an ongoing focus on wider compliance issues.



AAS staff members Kara Ball, Nick Hetherington and Gopi Ragavan.

### **Risk assessment process**

An understanding of an entity's risk assessment framework is an essential element of the ANAO's financial statement audits. Entities are expected to manage the key risks specific to their environment, and our interim audits include a review of controls relating to risks that may have a material impact on entities' financial statements. We found that most entities have a well-established risk assessment process and that the results are generally reviewed by audit committees.

Business continuity and fraud control management are important elements of the risk assessment process common to all entities. Our audits noted that a number of entities did not have a current organisation-wide business continuity plan that had been endorsed by the agency executive. In addition, some entities did not review, update or test such plans as part of normal business practice. All entities have in place fraud control plans prepared in accordance with the Commonwealth Fraud Control Guidelines. A small number of entities needed to establish mechanisms for assessing the effectiveness of their plans.

### **Information systems**

Information technology facilitates the operations of Australian Government agencies and supports the business processes that deliver services to the Australian community.

During the interim phase of the 2008–09 financial statement audits, the ANAO assessed the design and operation of key IT controls to determine their effectiveness and their impact on reducing risks to the integrity of financial information presented in entities' financial statements.

The ANAO noted improvements in a number of entities' IT control environments since 2007–08. Most noticeable has been the implementation of more effective IT security, incident and problem management procedures. These improvements have enhanced the overall level of security and integrity of key financial systems. However, our audits noted continuing weaknesses in a number of entities in the management of special or privileged users, including a failure to log the activities of those users. We also observed that many entities did not review their change management procedures on a regular basis. Our audits continue to identify a range of IT control weaknesses in some entities, relating to security and management controls in financial management and human resource management information systems.

### **Control activities**

The results of the 2008–09 interim audit phase indicated that, overall, control activities relating to financial and accounting processes have been maintained at an effective level. The number of significant and moderate risk audit findings has decreased, continuing the trend over recent years. Control issues identified by our audits related to areas such as the management of assets, including stocktakes; the maintenance of asset registers and the capitalisation of expenditure; business continuity management; reconciliations between key financial statements; credit card expenditure; and the approval of expenditure. A total of 280 Category A, B and C findings were identified from our interim audits—a small reduction compared with 2007–08.



## Monitoring of controls

Many activities undertaken by an entity contribute to its regime of monitoring controls. These include quality assurance arrangements, internal and external reviews, control self-assessment processes, and internal audit. The ANAO noted that control self-assessment arrangements, first introduced by a number of entities to assist them to fulfil their responsibilities to provide a certificate of compliance for 2006–07, have become an integral part of entities' control regimes. In some entities, internal audit also continued to have a key role in the certificate of compliance process.

## Summary of interim audit results

Areas of the financial control environment required attention in some entities, although our interim audits found that there had been an overall improvement in entities' financial and related controls. This is reflected in a reduction in the number of significant risk (Category A) and moderate risk (Category B) findings.

## Cost of financial statement audit reports

Financial statement audits for the 2008–09 financial year consumed approximately 197,390 direct audit hours and, including overheads, \$40.484 million of resources (2007–08: 179,145 hours and \$37,339 million). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

## Output 3.2: Other assurance reports

Through Output Group 3.2, the ANAO provided assurance services to entities on matters outside the scope of annual financial statements audits. Ministers or entities can ask the ANAO to review aspects of their activities on a cost-recovery basis, and a number of entities, as part of their own corporate governance arrangements, seek reviews or audits of their half-year financial statements. Those services also included grant acquittal certificates, performance information verification and other special purpose engagements.

## Cost of other assurance reports

Other assurance reports (Output Group 3.2) for the 2008–09 financial year consumed approximately 16,364 direct labour hours and, including overheads, \$1.651 million of resources (2007–08: 11,647 hours and \$1.523 million, respectively). There was a change in methodology used to calculate costs in 2008–09 and this change has also been applied to the 2007–08 comparisons. Note 22b of the notes to the financial statements in Appendix 1 provides more detail.

## Performance measures

The following sections describe Output Group 3 performance in terms of other measures, including the satisfaction expressed by clients and stakeholders.

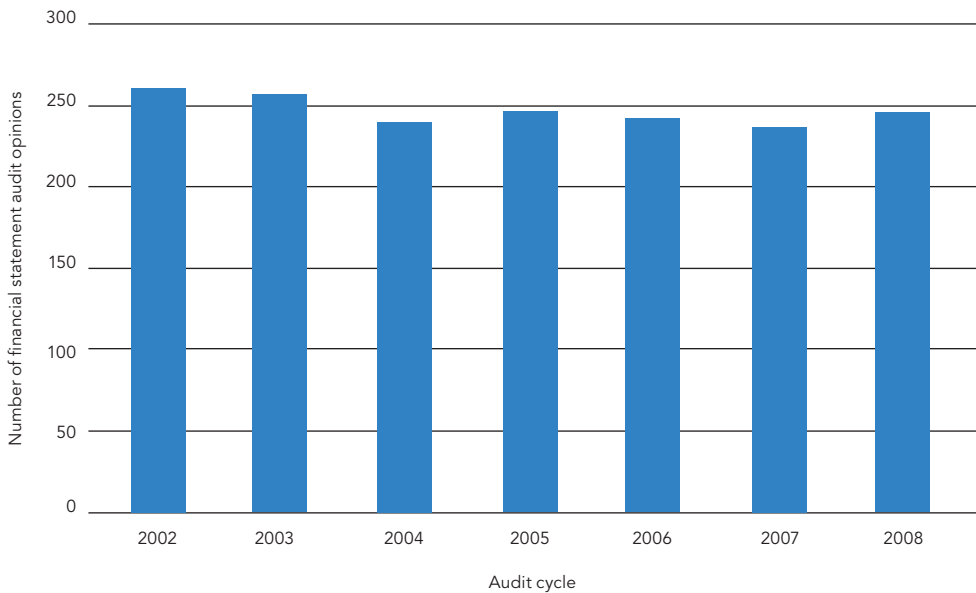
### Quantitative measures for Output 3.1

The main performance measures for financial statement audit reports are the number of opinions issued, timeliness and cost.

#### Number

The number of audit opinions issued depends on government and entity decisions on entity structures. We have issued opinions on all relevant entities (except for one entity which has not yet presented signed financial statements for audit). The number of audit opinions issued for the 2007–08 financial statement audit cycle, in comparison to previous periods, is illustrated in Figure 6.

**FIGURE 6: NUMBER OF OUTPUTS FROM THE FINANCIAL AUDIT PROCESS**

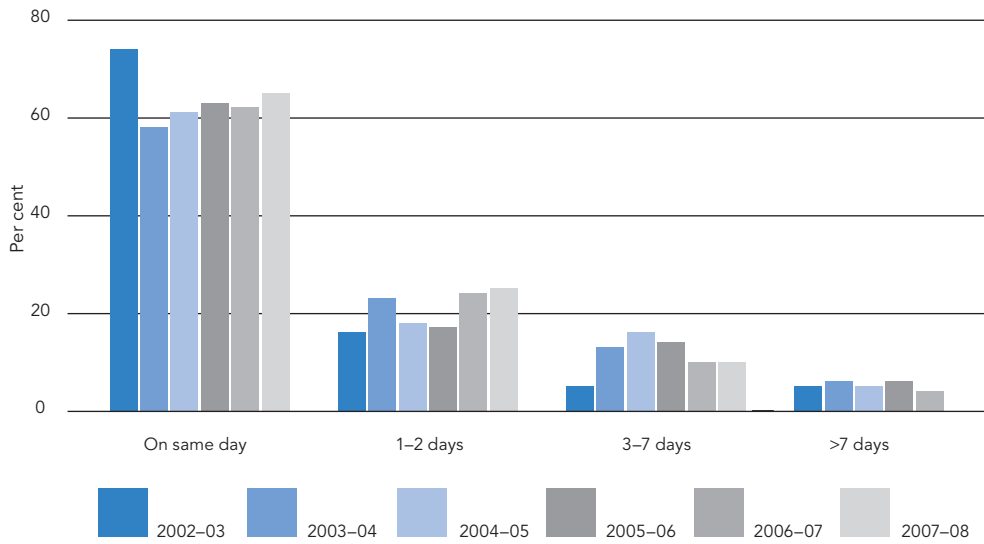


#### Timeliness

Issuing audit opinions on the day the financial statements are signed, or soon after, assists entities to meet their management and annual report commitments. For the audit cycle, 90 per cent of opinions were issued on the day the financial statements were signed or within two days of the signing, compared to 86 per cent for the previous audit cycle.

Figure 7 shows the time taken to issue audit opinions after the date of signing of financial statements from 2002–03 to 2007–08.

FIGURE 7: TIMELINESS OF ISSUING AUDIT OPINIONS



### Client survey

An independent survey was completed in March 2009 to gain feedback from entities on the conduct of the audit of their 2007–08 financial statements. From the 190 entities that were included in the survey, 129 responses were received (68 per cent). The survey results were positive overall and indicated high satisfaction with our performance in auditing entities’ 2007–08 financial statements. Key findings included the following:

- 90 per cent of respondents agree that ANAO staff have the necessary understanding and skills to carry out audit work
- 90 per cent of respondents acknowledge the value added by ANAO products and services.

The results of the survey are used to inform decisions on the improvement of future audits. We are also continuing to explore avenues to increase entities’ awareness of the available products, publications and services on financial statements and related assurance matters, as a way to assist them improve their performance.

### Quality assurance

We undertook a program of quality assurance reviews of a selection of financial statement audits in 2008–09, in line with our Quality Assurance Review Program. The program’s objective is to assess compliance with auditing standards and other legal and regulatory requirements, relevant professional requirements, and associated quality control policies and procedures. The program is managed by the Professional Services Branch under the authority of the Deputy Auditor-General.

The 2008–09 program, which reviewed six audits, identified no serious departures. However, the reviews highlighted a number of matters that required attention, including the level of documentation of work performed, particularly in relation to audit planning, the use of the work of an expert, and the testing of key controls.

The results of the reviews were considered by the senior executive and disseminated to all financial statement audit staff. The results were also taken into account in the development of the financial statement learning and development program.

## Developments in the accounting profession

For some time the Australian Accounting Standards Board has been working to produce AASB 1049 Whole of government and general government sector financial reporting, an accounting standard to bring together the two accounting frameworks that governments have previously reported under—Government Finance Statistics and Generally Accepted Accounting Principles. The standard AASB 1049 Whole of government and general government sector financial reporting was finalised in October 2007 and came into effect in 2008–09. Its implementation was a significant issue for public sector accountants and auditors in 2008–09.

The global financial crisis promoted discussion about the adequacy of accounting standards. International standard setters are working to improve accounting standards in a number of areas, particularly in respect of the measurement and disclosure of complex financial instruments.

Apart from these matters, 2008–09 was a period of relative stability in financial reporting. The Australian Accounting Standards Board replaced the accounting standards for government departments and local governments, transferring their content, largely unamended, to new and revised standards.

Significant changes are expected, both internationally and nationally. The International Accounting Standards Board and the United States Financial Accounting Standards Board are working jointly to develop a new conceptual framework as the foundation for changes to accounting standards. That project is focused mainly on the private sector. The International Public Sector Accounting Standards Board is also seeking to develop a conceptual framework as the basis for its suite of accounting standards.

Locally, the Australian Accounting Standards Board is continuing with its project to enhance public sector accounting standards. In 2008–09, the board announced plans to release a draft of an accounting standard for non-exchange income, which includes grants and appropriations—two areas of particular importance to the public sector. The board also decided that public sector entities should be allowed to take advantage of the new standards for small and medium sized entities, when those standards are released. This will provide an opportunity to simplify the financial reports of smaller government entities, while preserving accountability.

Auditing standards are also changing. The International Auditing and Assurance Standards Board (IAASB) revised its standards to improve their clarity and aid consistency of application. This is a significant revision of these auditing standards, adding to the requirements that must be met in undertaking audits of financial statements. The Australian Auditing and Assurance Standards Board is currently reviewing the IAASB standards for adoption in Australia, with effect from reporting periods beginning on or after 1 January 2010.



## PART 4 MANAGEMENT AND ACCOUNTABILITY

## Corporate governance

We support the delivery of our outputs through a structured corporate governance framework, which ensures the effective management of our business initiatives and other corporate activities. Key elements of our corporate governance arrangements are outlined in this section.

### Executive Board of Management

The Executive Board of Management leads the ANAO in achieving the objectives and strategies outlined in our Corporate Plan, and assists the Auditor-General to meet his statutory responsibilities under the *Auditor-General Act 1997* and the *Financial Management and Accountability Act 1997*. The board is responsible for setting and monitoring our strategic directions, and overseeing key business opportunities and risks, and our budget.

The board meets each month. At 30 June 2009, the board comprised:

- Ian McPhee, Auditor-General (Chair)
- Steve Chapman, Deputy Auditor-General
- Peter White, Group Executive Director, Performance Audit Services
- Matt Cahill, Group Executive Director, Performance Audit Services
- Warren Cochrane, Group Executive Director, Assurance Audit Services
- Michael Watson, Group Executive Director, Assurance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch
- Anthony Howatson, Chief Finance Officer.



*The Executive Board of Management: back row from left, Anya Moore, Anthony Howatson, Steve Chapman, Michael Watson, Warren Cochrane; front row, Matt Cahill, Ian McPhee, Peter White.*

Dianne Rimington, Group Executive Director, Corporate Support Group, was a member of the Executive Board of Management until she resigned in April 2009.

The board has established three subcommittees, details of which are set out below.

## Audit Committee

Our Audit Committee fulfils the requirements of section 46 of the Financial Management and Accountability Act, which provides for each chief executive to establish and maintain an audit committee.

The broad functions of the Audit Committee are to:

- enhance our control framework
- improve the objectivity and reliability of externally published financial and other information
- assist the Auditor-General to comply with all legislative and other organisational objectives.

The Audit Committee met five times in 2008–09. At 30 June 2009, its membership comprised:

- Bruce Jones, Chair and external independent member
- Steve Chapman, Deputy Auditor-General
- Jocelyn Ashford, Executive Director, Assurance Audit Services
- Nathan Williamson, Executive Director, Performance Audit Services.

Observers included Geoff Wilson, Independent Auditor; internal auditors from Ernst & Young, Peter Bell and William Tse; Anya Moore, Executive Director, Corporate Management Branch; and Anthony Howatson, Chief Finance Officer.

Dianne Rimington, Group Executive Director, Corporate Support Group, was an observer of the Audit Committee until she resigned in April 2009. The Executive Director, Corporate Management Branch, Anya Moore, has taken her place.

## Information Strategy Committee

The Information Strategy Committee assists the Executive Board of Management with strategic advice, policy and business proposals on matters relating to information management and information and communications technology. The committee met 11 times in 2008–09. At 30 June 2009, the membership comprised:

- Steve Chapman (Chair), Deputy Auditor-General
- Matt Cahill, Group Executive Director, Performance Audit Services
- Wayne Jones, Executive Director, Assurance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch
- Gary Pettigrove, Chief Information Officer.

The Information Strategy Committee is required to submit an annual report to the Executive Board of Management. The 2008–09 report presented advances in our IT support to clients, staff, systems and operations and outlined planning for 2008–09.



## People and Remuneration Committee

The Remuneration Committee was an advisory body to the Executive Board of Management for the development and application of our remuneration policy, and a decision-making body for determining individual remuneration arrangements. Following a review of governance arrangements for human resource management, and taking into account the recommendations in the Independent Auditor's performance report *Human Resource Management Performance Audit—December 2008*, the terms of reference for the Remuneration Committee were expanded. The new People and Remuneration Committee is an advisory body to the Executive Board of Management and is responsible for making decisions in relation to remuneration policy and human resource management policies and practice, including the ANAO Strategic Workforce Plan and the staff survey. The committee met three times in 2008–09.

At 30 June 2009, the membership comprised:

- Steve Chapman (Chair), Deputy Auditor-General
- Michael Watson, Group Executive Director, Assurance Audit Services
- Warren Cochrane, Group Executive Director, Assurance Audit Services
- Peter White, Group Executive Director, Performance Audit Services
- Matt Cahill, Group Executive Director, Performance Audit Services
- Anya Moore (Secretariat) Executive Director, Corporate Management Branch.

Dianne Rimington, Group Executive Director, Corporate Support Group, was a member of the Remuneration Committee until she resigned in April 2009. The Executive Director of Corporate Management Branch, Anya Moore, has taken her place.

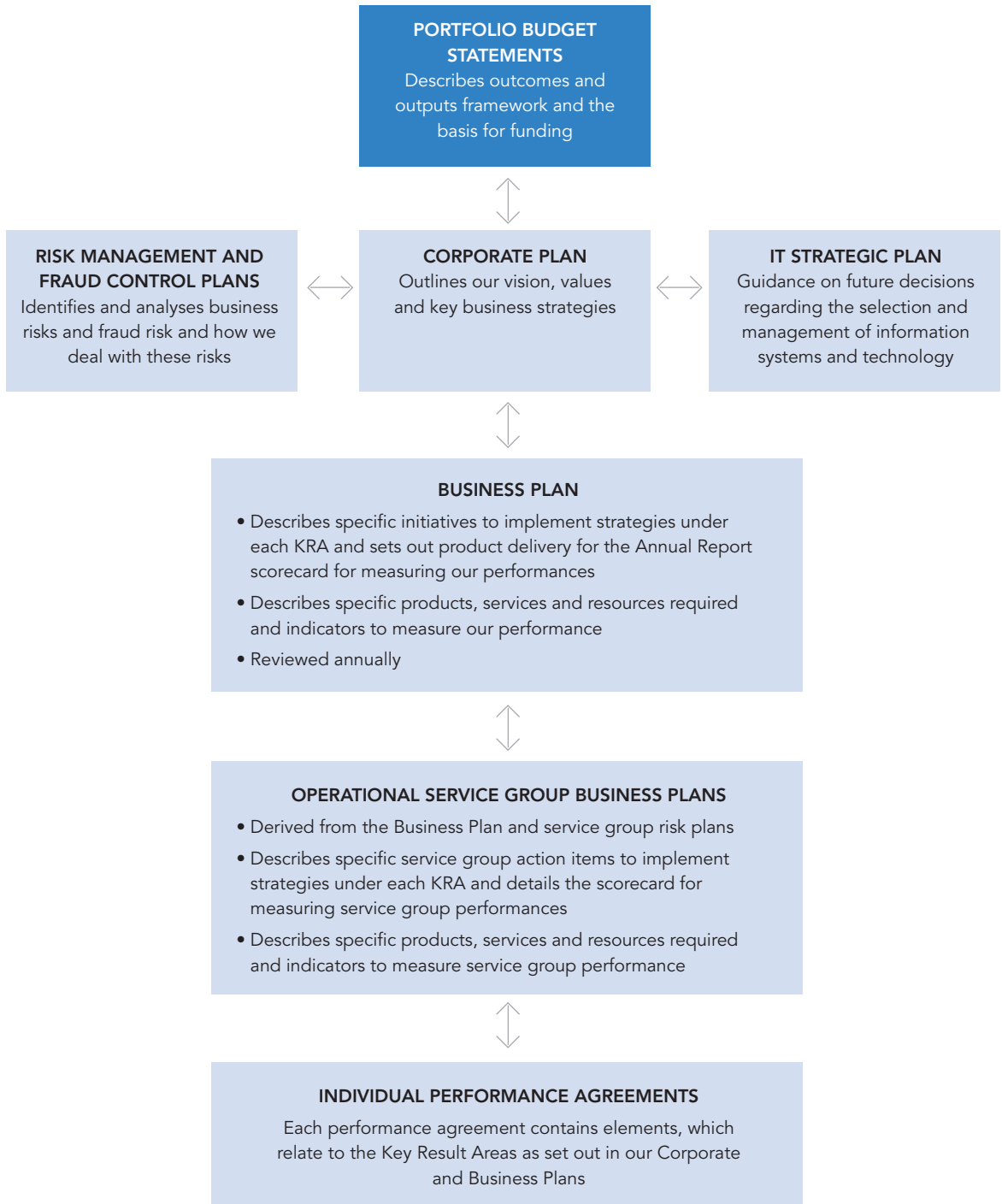
## Specific purpose committees

In addition to the subcommittees mentioned above, specific purpose committees are established from time to time; for example, the Accommodation Steering Committee which reports to the Executive Board of Management and the Professional Services Automation Project Board which reports to the Information Strategy Committee.

## Strategic planning framework

Key elements of our strategic planning framework are presented in Figure 8.

FIGURE 8: STRATEGIC PLANNING FRAMEWORK



## Corporate Plan

Our Corporate Plan is the defining document for all planning and other strategic and operational activities for the three years from 2007 to 2010. The plan outlines our vision, role and shared values, and sets out our objectives and strategies in four key result areas:

- our clients
- our products and services
- our people
- our business performance.

## Business Plan

The Business Plan is a three-year rolling plan that is updated annually. The plan outlines our Portfolio Budget Statement commitments, supplementary business objectives and specific initiatives in areas of emphasis for the coming year.

All action items from the 2008–09 Business Plan projects were either completed or are ongoing activities.

## Risk management framework

The ANAO risk management framework comprises an overarching ANAO Risk Management Policy and Risk Management Plan and individual risk management plans for each service group. The Risk Management Plan, reviewed by the Audit Committee, underpins our corporate governance framework. The plans are consistent with Joint Standard AS/NZS 4360: 2004. All our risk plans are updated at least annually.

The annual review is designed to take into account any changes in our operating environment, including revised business requirements and changes in our control environment. In essence, our approach to risk management identifies risks associated with our business objectives. The risks are considered at both strategic and operational levels; in particular, we consider how the risks relate to our strategic and business planning processes by addressing the following questions:

- Are our overall vision and direction appropriate?
- Do our products meet client needs and expectations?
- Do we have sufficient resources and capacity to deliver our products?

Our reputation for integrity and ethical behaviour is among our most valued corporate attributes, and all significant business risks identified in the Risk Management Plan are linked to an overarching reputational risk. The Executive Board of Management provides for the review of any serious risk incidents each month and our policy requires that all our business risks are reviewed at least every six months. There were no serious risk incidents in 2008–09, and all risks were assessed as being acceptable with appropriate controls in place.

We take part in the annual Comcover Risk Management Benchmarking Survey to independently assess our risk management arrangements. We improved on our previous best score, from 6.5 in 2007–08 to 6.7 in 2008–09. This score reflects a high level of competency in implementing our enterprise-wide risk management framework. As a result, our annual premium was reduced by 6.7 per cent.



*Corporate Management staff members Colleen Brown, Carolyn Ryan, David Cunneen and Gary Pettigrove.*

### Fraud control framework

The ANAO maintains a comprehensive Fraud Risk Assessment and Fraud Control Plan in accordance with the requirements of the Commonwealth Fraud Control Guidelines. The Fraud Control Plan is an important strategic plan that links to our risk management framework and draws all our fraud prevention and detection initiatives together into one consolidated document.

Similar to our business risk assessment, our major concern is the risk to our reputation should fraudulent activity occur. Therefore, we periodically review the fraud control framework to take changes in our operating environment into account. There is also a mandatory review of the Fraud Risk Assessment and Fraud Control Plan at least every two years. The 2008–10 Fraud Control Plan the Fraud Risk Assessment were completed in June 2008. Both documents were reviewed by the Audit Committee and approved by the Executive Board of Management. Any risks assessed as ‘significant’ or above are monitored by the board each month as a standing agenda item.

There were no known incidents of fraud in 2008–09. All fraud risks were assessed and appropriate controls are in place.

The Auditor-General’s fraud control certification follows.



Auditor-General for Australia

11 August 2009



### Annual Report 2008-09 – Fraud Control Certification

I, Ian McPhie, Auditor-General for Australia, certify to the Minister for Finance and Deregulation that I am satisfied that the Australian National Audit Office has:

- conducted fraud risk assessments and prepared fraud control plans that comply with the Commonwealth Fraud Control Guidelines;
- put in place appropriate fraud prevention, detection, investigation and reporting procedures and processes;
- collected and reported annual fraud data in compliance with the Commonwealth Fraud Control Guidelines.

  
Ian McPhie

2008-09: 10/ AUGUST 2009  
10 AUGUST 2009: 10/ AUGUST 2009  
10 AUGUST 2009: 10/ AUGUST 2009  
10 AUGUST 2009: 10/ AUGUST 2009

## Information Systems and Technology Strategic Plan

The 2009–12 IT Strategic Plan is a three-year plan designed to guide future decisions about the selection and management of information services and technology. It is linked to our Corporate Plan and Business Plan, and facilitates business operations to enable us to achieve our objectives in the four key result areas set out in our Corporate Plan.

## Ethical standards

We have a reputation for high professional and ethical standards, and it is essential to the success of our work that we maintain that status.

The ANAO Guide to conduct, which is given to all staff and is part of our induction training, provides information on the conduct expected of all our employees in carrying out their responsibilities, including interacting with clients, fellow employees and other stakeholders. The guide is framed around the central theme of the Australian Public Service (APS) Values and the APS Code of Conduct set out in the Public Service Act 1999. It also refers to APS values and code of conduct in practice: A guide to official conduct for APS employees and agency heads, a package produced by the Australian Public Service Commission.

The ANAO Guide to conduct reflects our core values and behaviours, which are based on the key elements of 'respect, integrity and excellence', as shown in Figure 9. The guide also recognises the importance of auditing and accounting standards developed by Australian auditing and accounting professional bodies

We reviewed our values and behaviours during 2008–09 and concluded that they remain appropriate for our approach to business and adequately cover our diverse workforce.

**FIGURE 9: ANAO VALUES AND BEHAVIOURS**



## Senior Executive Service conferences

Senior Executive Service (SES) conferences provide the executive and senior management with a forum to consider business issues and plan future strategic directions consistent with our key result areas. Two SES conferences were conducted during 2008–09, the first in November 2008 and the second in April 2009.

The key theme of the November conference was an examination of our capability, capacity and sustainability in the current and future operating environments. The main emphasis within this framework was the management of our people, our workplace and workforce priorities, including discussion about our approach to our replacement workplace agreement. Key outcomes from the conference included an undertaking to integrate desirable behaviours from our ANAO values into our performance assessment arrangements and outline strategies for our 2009 workplace agreement.

The March 2009 conference provided the opportunity to focus on our business operations in the light of the global financial crisis. From this discussion a number of initiatives were identified for the 2009–10 Business Plan, including:

- reviewing our current practice of visiting parliamentarians to ensure our visits meet their needs
- strengthening the management of audits and focusing on key areas such as issues papers, executive summary and testing
- working towards the implementation of financial statement policy, methodology and tools that assist us to comply with new Australian Auditing Standards
- enhancing technical support for audit staff undertaking quality assurance audits and other specialist audit functions.

## External and internal scrutiny

### External audit

Section 41 of the *Auditor-General Act 1997* establishes the position and provides for the appointment of an independent auditor who undertakes the audit of our financial statements and carries out selected performance audits.

Our Independent Auditor is Geoff Wilson, National Managing Partner, KPMG Audit and Risk Advisory Services. His first term as the ANAO's Independent Auditor expired on 23 April 2008. The Department of the Prime Minister and Cabinet conducted a recruitment process with the result being the reappointment of Mr Wilson for a further term of four and a half years, starting on 24 April 2009.

Mr Wilson provided an unqualified audit opinion on the ANAO's financial statements for the year ended 30 June 2009.

The external auditor conducted a performance audit of human resource management and reported the findings in December 2008. The report focused on the ANAO Strategic Workforce Plan and its implementation, concluding that, on the whole, the Strategic Workforce Plan 'contains all the key elements of a robust and sustainable plan and that the ANAO have many good initiatives and actions to assist in the attraction and retention of

staff'. The external auditor proposed a number of improvements, which have been included in the revised 2009–11 Strategic Workforce Plan. Apart from those proposals, he reported that 'no fundamental gaps in strategy or new actions appropriate for an audit practice operation in the labour market were identified'.

### Internal audit

The Audit Committee reports to the Auditor-General on our internal audit function, providing assurance about the integrity of our systems and processes, and identifying opportunities for improvement.

The internal audit program continued to have a strong emphasis on compliance and consequently a focus on corporate functions. Internal audits completed in 2008–09 included:

- travel review
- CoBit (a framework for IT management) maturity assessment
- records management strategy
- rolling compliance audits (asset management, physical security, payroll management, petty cash, budget management and cost allocation).

At 30 June, planning was underway for audits of:

- fraud control framework
- certificate of compliance
- rolling compliance audits.

The completed audits found that, overall, the audited activities were operating satisfactorily and made a number of recommendations designed to improve performance in those areas. All recommendations have either been addressed, are being addressed, or have been modified to the satisfaction of the internal auditor.

### Decisions by courts and tribunals

No decisions by courts or tribunals affected the ANAO during 2008–09.

### Commonwealth Ombudsman

The Commonwealth Ombudsman made no reports to the ANAO under sections 15, 16 or 19 of the *Ombudsman Act 1976* during 2008–09.



## Management of human resources

The ANAO has a comprehensive human resources management framework that is designed to recruit, develop and retain high-quality people to deliver our products and services.

### Staff survey

Each year we carry out a staff survey which gathers information about areas of staff interest and concern with the aim of improving our human resources management. The survey also informs an assessment of our performance against Business Plan targets. These targets are set out in Table 10.

**TABLE 10: STAFF: MEASURES OF SATISFACTION AND PERFORMANCE**

Key performance indicators	2008–09 target	2008–09 result
<b>Our people</b>		
Staff satisfaction is at an acceptable level.	>70% (measured by staff surveys)	67% <sup>a</sup>
Staff turnover is at an agreed level.	<25% turnover	16.7% <sup>b</sup>
Public sector organisations acknowledge understanding and skills of ANAO staff through client satisfaction surveys.	90% of agencies agree that ANAO staff have the necessary skills to carry out the audit work	Assurance Audit Services 90% <sup>c</sup>
Performance Audit Services 81% <sup>d</sup>		
Professional development programs result in an improvement in the level of performance of staff.	Staff and supervisors acknowledge an improvement in the level of on-the-job performance (measured by staff surveys)	75% of surveyed staff indicated that the professional development they received helped them to improve their performance.  31% indicated that the improvement was high to very high.  44% indicated a moderate improvement.
Staff acknowledge ANAO values and behaviours are exhibited in the workplace.	85% (measured by staff surveys)	An average of 79% of staff surveyed agreed that the ANAO values and behaviours are exhibited in the workplace. <sup>e</sup>

**Notes:**

a ANAO staff survey, September 2008.

b An ANAO-wide target which measures the number of staff leaving as a percentage of total ANAO staff.

c AAS Group client survey, March 2009.

d PAS Group client survey, August 2009.

e ANAO staff survey, September 2008.

## Workforce planning

An overview of our staffing profile is provided in Appendix 2, tables A2.1, A2.2, A2.3 and A2.4. During 2008–09, we built on previous work designed to enhance the management of our workforce. The key initiatives are described below.

### Staff turnover

Staff turnover in the ANAO for 2008–09 was around 16.7 per cent and the average length of tenure was 5.2 years. Table 11 highlights the differences in length of tenure across the various classifications for ANAO staff.

**TABLE 11: LENGTH OF TENURE ACROSS VARIOUS CLASSIFICATIONS AT 30 JUNE 2009**

Classification	Average length of tenure (years)
APS 1–3	2.8
APS 4–6	3.7
EL 1–2	6.4
SES	11.4

### Staff recruitment and retention

Attracting and retaining high-quality staff continued to be a major focus for the ANAO in 2008–09. We strengthened our learning and development program, expanded the leadership program, continued to promote the mentor program and conducted the annual review of staff remuneration.

The ANAO received considerably stronger fields of applicants for advertised vacancies late in the financial year. This can be attributed in part to our marketing approach and working conditions, and also the contraction in the financial sector labour market, which meant that the ANAO had access to a larger pool of specialist staff.

During 2008–09, we spent \$0.128 million on recruitment advertising (in 2007–08 \$0.106 million).

### Staff induction

The ANAO commenced a detailed review of its induction practices and procedures, including the development of an E-Induction tool. The review aims to achieve a more structured and efficient induction process that assists managers and teams, and ensures that the transition of new recruits into ANAO is smooth and successful.

## Workforce management

### ANAO Workplace Agreement

The three-year collective agreement negotiated with staff and effective from 1 June 2006 continues to underpin the employment framework of ANAO staff. The ANAO Remuneration Model which flows from the workplace agreement and is administered by the People and Remuneration Committee, was used to advance the salary of more than 100 staff members during the 2008–09 financial year. The Remuneration Model provides an evidence-based procedure for salary advancement for staff who demonstrate the required skills and proficiency at their nominal work level.

In accordance with government policy, we ceased to offer AWAs as an employment vehicle from January 2008. The very small number of existing AWAs will continue to apply until terminated in accordance with the *Workplace Relations Act 1996* (as amended).

With the nominal expiry of the present ANAO Workplace Agreement on 1 June 2009, a consultative process began in late 2008 with staff-elected representatives to develop and implement a replacement agreement. Following the consultative process, a vote was conducted during the period from 19 June to 25 June 2009, which resulted in staff rejecting the proposed agreement. Work started on a new agreement under the *Fair Work Act 2009* and the revised Australian Government Employment Bargaining Framework.

### Workplace Consultative Forum

The Workplace Consultative Forum continues to play an important role in facilitating consultation on a range of operational and strategic issues affecting staff in the workplace. The forum comprises six staff-elected representatives and three management-appointed representatives. The forum met formally on two occasions during the course of the year and informally on several more occasions to discuss and consider a range of employment issues, including the new Canberra office accommodation refurbishment arrangements.

### Strategic Workforce Plan

In 2008–09, the Workforce Plan 2006–08 was replaced by the new Strategic Workforce Plan 2009–2011, which focuses on aligning business outcomes and workforce requirements. In developing the rolling Strategic Workforce Plan, a detailed workforce analysis was commissioned. The workforce analysis identified future demographic changes which may affect supply and demand for accountants and auditors. The plan includes both more immediate and longer term workforce planning strategies, with a key aim of building organisational capability. The plan also provides for the identification and implementation of high-priority tasks, including identifying key risks and associated mitigation strategies so that we can successfully execute our audit mandate now and into the future. The People and Remuneration Committee will monitor and evaluate the implementation of the strategic priorities in the Strategic Workforce Plan.

## Performance Assessment Scheme

Our Performance Assessment Scheme provides for three levels of performance pay. In 2008–09, staff rated as ‘fully effective’ during the 12-month performance cycle were eligible to receive a 1 per cent salary increase; staff rated as ‘more than fully effective’ were eligible for the 1 per cent salary increase and a 3 per cent performance bonus; and staff rated as ‘outstanding’ were eligible for a 7 per cent performance bonus in addition to the 1 per cent salary increase.

A summary of ratings for the reporting cycle are set out in Table 12. Graduates, non-ongoing staff and ongoing staff with less than six months employment during the performance cycle are not eligible for a performance bonus.

**TABLE 12: SUMMARY OF PERFORMANCE RATINGS FOR THE PERIOD ENDING 31 OCTOBER 2008**

Rating	Outstanding	More than fully effective	Fully effective	Unsatisfactory	Total
ANAO Bands 3 and 4 (EL 1 and 2)	8	49	55	2	114
ANAO Bands 1 and 2 (APS 1–6)	8	56	71	2	137
<b>Total</b>	<b>16 (6%)</b>	<b>105 (42%)</b>	<b>126 (50%)</b>	<b>4 (2%)</b>	<b>251</b>

## Performance pay

In 2008–09, a total of \$0.523 million in performance bonuses was paid to eligible staff (\$0.520 million in 2007–08). Aggregated information on performance pay is set out in Appendix 2, Table A2.8.

## SES remuneration

SES salaries are determined by the Auditor-General and Deputy Auditor-General, who are informed by public sector benchmarks, notably the annual APS remuneration survey. The nature of the work, specific skills and individual contribution to our business outcomes are key factors in setting SES salaries. SES remuneration is set out under Note 10 of our financial statements, presented in Appendix 1.

## Professional development

The ANAO continued to invest in a structured learning and development curriculum for its staff. This investment has included blending technical and general training, with a view to continually enhancing our in-house audit and other key capabilities. Experienced audit managers have developed and delivered technical training to both Assurance Audit and Performance Audit staff.

Under the guidance of the Learning and Development Committee, the 2009 Learning and Development Calendar has been updated to include an executive leadership series aimed at SES and executive level staff. This has complemented our existing leadership programs for staff at the APS 5 to EL 2 levels, which commenced in 2008. A mechanism to support, encourage and monitor the transfer of learning to on-the-job work has been endorsed by the Executive Board of Management, with implementation from early in 2009–10.



*Staff at the Leadership and Development Program in May 2009.*

## Personal Development Scheme

The Personal Development Scheme is an element of our performance management framework. Staff are encouraged to identify their individual training and development needs with their manager, using ANAO-developed guidance material in the form of:

- the 2009 Learning and Development Calendar and course outlines
- progression listings, which identify specific tasks and behaviours sought at each classification level across the office (and drawing on ANAO's capability framework)
- learning options, which detail the recommended learning courses and programs by classification level and work area.

## Secondment/exchange program

The secondment and exchange program provides an opportunity for staff to work in other organisations to enhance their skills and knowledge by sharing experiences, information and knowledge. This arrangement is also a reward for sustained high performance and forms part of our retention strategy. Details of the program are set out in tables 13 and 14.

The exchange placement program with the Office of the Auditor-General of Canada and the Office of the Comptroller and Auditor-General of Ireland continued in 2008–09, with five staff members from Assurance Audit Services participating. The placements involved staff members working overseas for a four- to eight-week period, with reciprocal arrangements as shown in Table 13 and Table 14.

**TABLE 13: SUMMARY OF SECONDMENTS AND EXCHANGES TO THE ANAO IN 2008–09**

Secondments and exchanges to the ANAO	From
Yin-Mei Kwok	Office of the Auditor-General of Canada
Josee Mahais	Office of the Auditor-General of Canada
Josephine Mooney	Office of the Comptroller and Auditor-General of Ireland
Bridget O’Grady	Office of the Auditor-General of Canada
Kay Robinson	Department of Immigration and Citizenship
Eamonn Savage	Office of the Comptroller and Auditor-General of Ireland
Ami Sudjiman	National Archives of Australia

Exchange placements provide participants with a range of valuable work experiences and are viewed as an important development opportunity. We have benefited additionally from some placements which enabled us to reduce the use of contractors during peak periods.

**TABLE 14: SUMMARY OF SECONDMENTS AND EXCHANGES FROM THE ANAO IN 2008–09**

Secondments and exchanges from the ANAO	To
Gordon Carey	Centrelink
Christine Clark	Office of the Auditor-General of Canada
Lesa Craswell	Office of the Auditor-General of Canada
Sonia Domitrak	Office of the Auditor-General of Canada
Jennifer Eddie	Joint Committee of Public Accounts and Audit
Martin Fox	Customs
Steven Gilbert	Australian Taxation Office
David Graver	Department of Agriculture, Fisheries and Forestry
Racheal Kris	Australian Taxation Office
Ian McDonald	Joint Committee of Public Accounts and Audit
Moiria Mills	Customs
Gary Sutherland	Office of the Comptroller and Auditor-General of Ireland
Neil Young	Office of the Comptroller and Auditor-General of Ireland

## Undergraduate program

In 2008–09, we continued to build our relationship with the Australian National University, the University of Canberra and the Institute of Chartered Accountants in Australia (ICAA) to recruit students for our Assurance Audit undergraduate program. Similar arrangements are in place with the Canberra Institute of Technology. The program is a useful vehicle for transitioning undergraduates into the ANAO Graduate Program.

## Professional qualifications and studies assistance

During 2008–09, the ANAO supported 77 staff members with their study programs. Of those, 60 participated in the ICAA or CPA Australia programs, while the remaining students undertook programs related to information technology or postgraduate university study. Table 15 lists staff members whom we supported to successfully complete their CPA or ICAA programs and other tertiary studies during the year.

**TABLE 15: SUMMARY OF STUDIES COMPLETED BY STAFF MEMBERS IN 2008–09**

Staff member	Studies completed
Kylie Jackson	Graduate Certificate of Chartered Accounting Foundations
Christine Murton	CPA
Dominika Ryan	CA
Stuart Wall	CA
Nathan Williamson	Graduate Diploma of Applied Finance and Investment

## Representation

In February 2009, the Auditor-General was appointed to the Australian Accounting Standards Board (AASB) for a three-year term. The objective of the AASB is to develop and maintain high-quality financial reporting standards for all sectors of the Australian economy; to contribute, through leadership and talent, to the development of global financial reporting standards; and to facilitate the inclusion of the Australian community in global standard-setting.

The Auditor-General stepped down as an Australian representative on the IAASB at the end of 2008. The IAASB functions as an independent standard-setting body under the auspices of the International Federation of Accountants. Its mission is to establish high-quality auditing, assurance, quality control and related services standards. The Auditor-General attended two quarterly meetings of the board during the first six months of the 2008–09 financial year and chaired several board taskforces responsible for revising auditing standards.

A number of members of ANAO staff have roles outside the organisation that contribute to the auditing and accounting profession in general.

- The Deputy Auditor-General, Steve Chapman, is a Director of the CPA Australia National Board and past president and current member of the CPA Australia ACT Divisional Council.
- Michael Watson is a Director of the National Board of The Institute of Chartered Accountants Australia.
- Jodi George is a member of the Institute of Chartered Accountants ACT Council.
- Ann Towers is the Deputy Chair of the CPA Young Professionals Committee.
- Brian Boyd is a member of the INTOSAI Working Group on the Audit of Privatisation, Economic Regulation and Public Private Partnerships.

- Wayne Jones is a member of the INTOSAI Working Group on IT Audit. In 2008–09, he was also the ISACA (an IT group that is known by the acronym) Nominating Committee representative.
- Nathan Williamson represents ASOSAI on the INTOSAI Performance Audit Sub Committee.
- Peter McVay is a member of the INTOSAI Working Group on Environmental Auditing.

A list of papers and presentations by the Auditor-General and other senior staff members is set out in Appendix 5.

## Graduates

Twenty graduates commenced employment with the ANAO in 2009. After completing a one-week induction program, graduates were placed in work areas in the Assurance Audit Services Group and the Performance Audit Services Group:

- *AAS Group:* Tooba Anaam, Warwick Antcliff, Claire Austen, To'oro Aveve (PNG Graduate), Mitchell Fleming, Nikhil Iyengar, Cynthia Karnasuta, Jamie Kora (PNG Graduate), Julianne Lalor, Freya Markwell, Umer Nasir, Christine Sherman, Felicity Squires, Indira Thimmaiah, and Elizabeth Tuvunivono.
- *PAS Group:* Michelle Johnson, Rachael Knight, Rhiannon Stanley, Alison Wardrop, and Andy Yu.

During their initial 12 months with the ANAO, all graduates participate in an intensive development program, including technical training, people management, and a range of general training and skill development programs. Graduates also conduct a research project and form part of a short-term rotation within the ANAO, which is intended to enhance their overall development and provide a broader appreciation of the ANAO's operations.



*The Auditor-General, Ian McPhee, with 2009 graduates.*



## Awards and recognition

The ANAO supports an awards system that recognises and rewards individual staff and teams who make a significant contribution to achieving our business objectives, including in such areas as client service, people management, business management, and audit management and innovation. The award system comprises, in order of importance: the Auditor-General's Annual Awards for Outstanding Achievement, the National Australia Day Council Medallions, and the Auditor-General's Certificate of Appreciation.

### The Auditor-General's Annual Awards for Outstanding Achievement

The Auditor-General's Annual Outstanding Achievement Team Awards for 2009 were awarded to the following members of staff:

Alicia Hall—*For her contribution and commitment to the delivery of Audit Report No. 01 of 2009–10, a high-profile and sensitive audit in a short time.*

Nicola Rowe—*For her contribution and commitment to the delivery of Audit Report No 01 of 2009–10, a high-profile and sensitive audit in a short time.*

Heather Rae—*For her contribution and commitment to the delivery of Audit Report No. 01 of 2009–10, a high-profile and sensitive audit in a short time.*

Brendan Mason—*For his contribution and commitment to the delivery of Audit Report No. 01 of 2009–10, a high-profile and sensitive audit in a short time.*

Sam Casey—*For his contribution and commitment to the delivery of Audit Report No. 01 of 2009–10, a high-profile and sensitive audit in a short time.*

Brian Boyd—*For his contribution and commitment to the delivery of Audit Report No. 01 of 2009–10, a high-profile and sensitive audit in a short time.*

The Auditor-General's Annual Outstanding Achievement Individual Awards for 2009 were awarded to the following members of staff:

Robert Holbert—*For his efforts in and contribution to establishing the administrative framework required to enable reviews of government advertising campaigns to be undertaken effectively.*

Kristian Gage—*For his leadership of, commitment to and sustained effort in the delivery of quality audit work and his continued support and mentoring of his audit teams and junior staff.*

Wayne Jones—*For his ongoing professional management and leadership of the ANAO's Information Technology Audit Branch and his active support of and contribution to our work with the Indonesian Audit Office and secondees.*

Ron Richards—*For his contribution to the work of the ANAO, particularly the successful refurbishment of 19 National Circuit, through his skill, diligence and management of the project.*



*Outstanding achievement award winners: (back row, left to right) Sam Casey, Kristian Gage, Heather Rae, Robert Holbert, Brendan Mason; (front row, left to right) Nicola Rowe, Brian Boyd, Alicia Hall and Ron Richards. Absent, Wayne Jones.*

### **National Australia Day Council Medallions**

The Auditor-General presented 2009 National Australia Day Council Medallions to the following members of staff:

*Kirsty Stuart—For her valuable contribution as a team member in the PAS Group, and her professional approach in undertaking a mentoring role for our Indonesian secondees.*

*Ray McNally—For his valuable contribution to performance auditing, and his key involvement in producing the first Defence Materiel Organisation projects report.*

*Christine Gilmayer—For her valuable contribution to providing receptionist and other assistance for the ANAO in a friendly and helpful manner.*

*Carolyn Ryan—For her valuable contribution to providing receptionist and other assistance for the ANAO in a friendly and helpful manner.*

*Jodi George—For her valuable contribution as a financial statement audit manager, and her AAS Group staff training and Indonesian secondee mentoring skills.*

*William Na—For his dedication and resilience in undertaking his financial statement audit work during a challenging year.*



*National Australia Day Council medallists with the Auditor-General, Ian McPhee—from left to right, Ian McPhee, William Na, Christine Gilmayer, Carolyn Ryan and Ray McNally (absent, Kirsty Stuart and Jodi George).*

## Productivity gains

In 2008–09, the ANAO's reduction in staff turnover provided enhanced opportunities for the professional development of its staff. The significant effort invested in advanced technical training for staff and development of their leadership skills resulted in a greater capacity and capability to deliver the ANAO's audit program.

Over the course of the year, the Assurance Audit Services Group analysed its workforce planning requirements and reduced its reliance on external accounting firms for contract services.

The ANAO also implemented an electronic document management system and trained staff in its use. The system resulted in efficiencies and savings in the handling, storage and administration of hard-copy records and a decrease in their creation and use.

Other initiatives across the ANAO which will result in positive productivity impacts were the development of revised project management methodologies for audit work (those methodologies will be fully implemented during 2009–10), and the design of a Professional Services Automation solution. The project management methodologies included a full review of business processes and procedures in practice management. The review highlighted areas for improvement, streamlining and efficiencies.

## Occupational health and safety

We continued to maintain a commitment to the health, safety and welfare of our staff and others who work at the ANAO. The OH&S Committee, which is responsible for advising the ANAO on health and welfare awareness, convened on four occasions in 2008–09. The committee also addressed OH&S issues that arose during the year.

Health and safety representatives are nominated and elected by ANAO employees in accordance with the Health and Safety Management Arrangements and Occupational Health and Safety Guidelines. All health and safety representatives undergo appropriate training, accredited by the Safety, Rehabilitation and Compensation Commission. OH&S training is also an integral part of the induction process for new employees.

OH&S issues are promoted through the frequent circulation of information bulletins and hazard alerts via email and hard copy. Those documents, along with our OH&S policies and minutes of OH&S Committee meetings, are also available to all staff on the ANAO intranet.

In 2008–09, influenza vaccinations were again provided to all staff who wished to participate in this initiative. We also provided a health assessments program.

We made significant advances in updating our OH&S policy and agreement in the light of amendments to the *Occupational Health and Safety Act 1991*. Accordingly, we have developed health and safety management arrangements in line with the legislation. These new arrangements will enable the ANAO and our employees to better manage the promotion and development of measures to ensure the health, safety and welfare of our people at work. Staff have been given an opportunity to provide feedback on the proposed health and safety management arrangements, including at two information sessions. This work will position the ANAO to meet its obligations under the amended legislation.

### Incidents during 2008–09

Ten incidents were reported in 2008–09 under the Occupational Health and Safety Act. Nine of those incidents occurred in an office environment, while the other was a sporting injury. The sporting injury was the only incident resulting in a compensation claim.

### Employee Assistance Program

The Employee Assistance Program provides access to confidential professional counselling services for staff and their families to assist with any personal or work-related problems. In 2008–09, members of staff and their families utilised the service for both work-related and personal circumstances. Following a select tender process, a new three-year contract was signed with IPS Worldwide for the continued provision of the Employee Assistance Program.

### Commonwealth Disability Strategy

The ANAO Workplace Diversity Program, together with our OH&S policies, broadly address the following performance indicators for an employer as specified in the Commonwealth Disability Strategy.

- *Employment policies, procedures and practices comply with the requirements of the Disability Discrimination Act 1992.* These requirements are incorporated into our policies, procedures and practices across a variety of areas in the organisation, including workplace diversity, OH&S, recruitment and professional development.
- *Recruitment information for potential job applicants is available in accessible formats on request.* All recruitment information is available in a variety of accessible formats, including through an online application system.

- *Agency recruiters and managers apply the principle of 'reasonable adjustment'.* This principle is integrated into our current Workplace Diversity Program and OH&S policies. Under the Workplace Diversity Program, all supervisors and managers are required to support staff who require reasonable adjustment. Selection panel staff are also sensitive to disability issues.
- *Training and development programs consider the needs of staff with disabilities.* When registering for any training or development program, all staff members are asked if they have any special requirements to enable them to participate fully in the program.
- *Training and development programs include information on disability issues as they relate to the content of the program.* Training on disability issues is provided on a needs basis. Graduates and other new employees are made aware of disability and diversity issues during their induction process.
- *Complaints and grievance mechanisms, including access to external mechanisms, in place to address issues and concerns raised by staff.* We have established a number of complaints and grievance mechanisms. These are specified in our Workplace Agreement and internal fair treatment procedures. Alternatives are available to staff, including internal counselling through diversity contact officers and external counselling through the Employee Assistance Program.

Reporting of disability matters is undertaken as part of our annual staff survey, the Workplace Diversity Program and under our OH&S policies framework. We have three staff members with reported disabilities, and we ensure that the necessary measures are in place to enable them to carry out their duties with reasonable ease and comfort.

## Workplace diversity

The ANAO is committed to promoting and supporting social inclusion, equity and diversity in the workplace by recognising and promoting in its people a range of abilities and skills, and valuing those with different languages, cultures and backgrounds.

Our Workplace Diversity Program sets out policies, priorities, responsibilities and performance information for all staff. We also have a network of trained diversity and harassment contact officers to provide support and advice to staff as required. Appendix 2, Table A2.4 outlines specified diversity categories within salary levels at the ANAO.

In 2008–09, we launched a new three-year Workplace Diversity Program. The program has five key objectives and, following a workshop of interested staff, two of those objectives have been selected for implementation this year. The two objectives are:

- increasing the ANAO's ability to attract, retain and develop aspiring female leaders
- achieving a workplace which is characterised by respect, courtesy and effective communication.

Activities have included the launch of a women's forum, reviewing and refreshing the network of diversity contact officers and promoting a harassment-free workplace.

The ANAO was one of the sponsors of the United Nations Development Fund for Women International Women's Day lunch held in Canberra in March 2009. All moneys raised went directly towards projects and programs that support full participation of women in underdeveloped states to achieve gender equality and sustainable economic and social development.



*International Women's Day lunch attendees—left to right, Natalie Whiteley, Kim Murray and Rachel Palmer.*

## Environmental protection and biodiversity conservation

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

The ANAO leases its office premises and is working with lessors to improve its environmental performance. By the end of 2008, the ANAO had improved its NABERS Energy rating from 3.5 stars to 4 stars (we are not required to achieve a 4.5 star rating because we entered into our current lease before the introduction of the government policy on energy efficiency). The ANAO's performance and activities against the five requirements are set out below.

### **How the activities of, and the administration of legislation by the agency during the period accorded with the principles of ESD**

We do not administer any programs or legislation that explicitly mention ESD. However, some of our performance audits of agencies and programs have a direct influence on the environment. In 2008–09, we produced a report with an emphasis on the environment, namely Audit Report No. 25 *Green office procurement and sustainable office management*.

## How the outcomes specified for the organisation in an Appropriations Act contribute to ESD

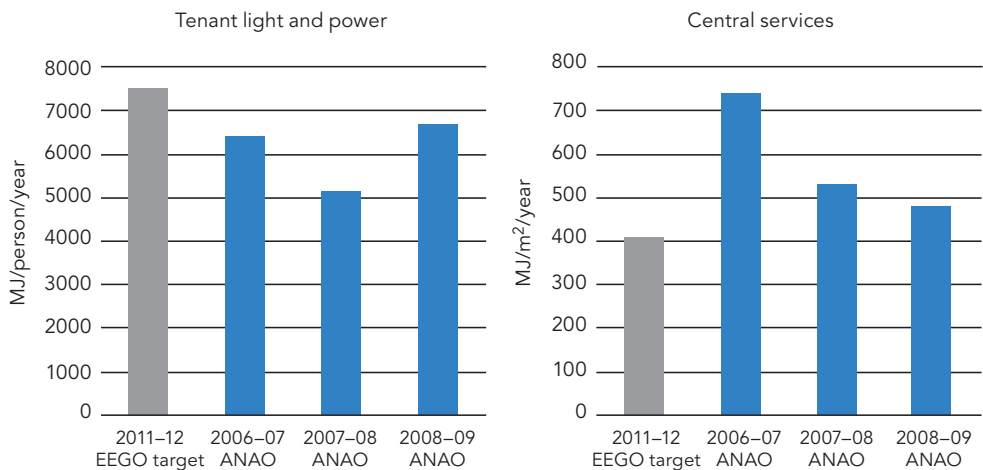
Our stated outcomes do not directly contribute to ESD. However, our audit reports make an indirect contribution though improving accountability and providing an independent assessment of Australian Government programs to parliament.

### Effect of agency’s activities on the environment

Our activities affect the environment by consuming resources such as energy, water, paper, office supplies and equipment. Most of our staff are in our head office in Canberra (97 per cent), with a small number in Sydney (3 per cent). The following information covers our Canberra office site, as the Sydney lease does not give Sydney staff the opportunity to materially affect their environmental circumstances. However, the Sydney site shares office-wide initiatives such as energy-efficient computers and the data centre, and the office has its own hybrid vehicle. Figure 10 compares our light and power use and central services (water and waste disposal) against the energy efficiency in government operations (EEGO) target figures.

*Energy.* The Australian Government’s EEGO policy sets energy intensity targets of 7,500 megajoules per person per year for tenant light and power, and 400 megajoules per square metre per year for central services. In 2008–09, there was an increase in usage for tenant light and power and a decrease in usage for central services. This is probably due to the new metering being more accurate than in previous years. As a result of initiatives taken during the year, electricity use in the Canberra head office was 20.3 per cent less than usage in the 2007–08 financial year.

FIGURE 10: TENANT LIGHT AND POWER AND CENTRAL SERVICES





**Water.** Water usage for 2008–09 was estimated at 1,873 kilolitres. Based on our occupied building floor area, our building water use intensity was 0.42 kilolitres per square metre per year, which equates to a 4.5 star NABERS Water rating.

**Waste.** Through a local organic recycler, we recycled 2.02 tonnes of organic waste during 2008–09. The primary waste service provider does not measure the weight of waste collected. However, based on the volumes of bins and the frequency of pick-ups, approximately 20,500 kg of paper (this is an averaged figure derived from four months of weighed waste) and 53.90 m<sup>3</sup> of co-mingled waste was sent for recycling and 459 m<sup>3</sup> of general waste was sent to landfill. The increase in general waste from 312 m<sup>3</sup> last year to 459 m<sup>3</sup> this year is attributable to the refurbishment of the office.

### **Measures taken by the organisation to minimise the impact of activities on the environment**

A wide range of new measures were undertaken in 2008–09 to further minimise the impact of our activities and operations on the environment. These measures included:

All our high-return initiatives have been implemented and we are now enjoying the benefits; for example, in the reduction of our water usage. We continue to seek improvement when the opportunity arises.

In 2008–09, we implemented two key initiatives in IT equipment management that will reduce our power consumption:

- the replacement of all ANAO staff computers with more energy-efficient units
- our computer server improvement project, which reduced the number of servers by 30 per cent.

### **Mechanisms for reviewing and increasing the effectiveness of those measures**

We continue to improve our environmental management system in order to strengthen targets and enhance our performance in line with best practice. In accordance with our Green Lease Schedule, the Building Management Committee meets regularly to oversee the implementation of environmental property initiatives. The committee is currently negotiating the development of an energy management plan, as required under the Green Lease Schedule.



## Other management issues

We undertake a range of other management activities and services in support of our primary audit functions. These include financial management, property management, management of legal matters, production of reports and publications, and the provision of IT and administrative services.

### Major competitive tendering and contracting activities

All tenders and contractual arrangements are carried out in accordance with the *Commonwealth Procurement Guidelines*, and contracts are subject to evaluation. Our procedures effectively meet our business needs and achieve value for money for the Australian Government.

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 [www.tenders.gov.au](http://www.tenders.gov.au).

- *Consultancy services.* During 2008–09, 144 new consultancy contracts were entered into involving total actual expenditure of \$1.498 million (GST inclusive). In addition, 41 ongoing consultancy contracts were active during 2008–09, involving a total actual expenditure of \$1.183 million (GST inclusive). The main reason for the increase in expenditure was the costs associated with our refurbishment project.
- *IT services.* After testing the market in 2008, we contracted Unisys for five years from July 2009 to deliver IT services to the ANAO. The relationship with Unisys has been a professional and effective arrangement that continues to evolve to meet our changing needs.
- *Legal services.* Our legal panel arrangements expired in April 2009, and we approached the market to establish a new panel. The tender process concluded and a new legal panel is in place. The panel members are the Australian Government Solicitor, Mallesons Stephen Jaques, Minter Ellison, Deacons, and Blake Dawson.
- *Publishing services.* Our contract for publishing services with Canprint Communications Pty Ltd ends in December 2009. There is an option to extend the contract for a further two years.
- *Contracting major financial statement audits.* During 2008–09, we contracted firms to conduct a number of financial statement audits. The major audits put out to tender in this period were for the Reserve Bank of Australia (awarded to PricewaterhouseCoopers) and the Australian Broadcasting Corporation (awarded to KPMG).
- *Performance Audit Services consultants' panel.* We use a panel of 31 consultants to assist with the conduct of performance audits. Following an invitation to the market, the current panel was refreshed in July 2009.

### Freedom of information

The Auditor-General is exempt from the provisions of the *Freedom of Information Act 1982*, but, to the extent appropriate, provides information on administrative matters on request in the spirit of the Act. All audit reports and better practice guides are available to the public on our website or in hard copy.

## Service charter

We do not have a service charter, as we do not provide a direct service to members of the public. However, we recognise that we provide a service to the community through our public audit reports and other products, such as better practice guides.

## Grant programs

We do not administer any grant programs and therefore have no grant recipients.

## Assessment of effectiveness of asset management

Our assets management policy is set out in Auditor-General Instructions and supporting procedural rules. 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. Our asset management practices are designed to protect the interests of the Australian Government.

## Assessment of purchasing against core policies and procedures

Our procurement guidelines are set out in the Auditor-General Instructions and supporting procedural rules, which are derived directly from the *Commonwealth Procurement Guidelines*. All purchasing is bound by the procedural rules under the underlying principle of value for money and is routinely the subject of internal audit. In addition, all contractual performance is subject to evaluation. Our procurement practices are designed to protect the interests of the Australian Government.

## Emergency and business continuity plans

We have a comprehensive Business Continuity Plan, for which the arrangements and documentation were reviewed comprehensively in 2008–09. The review aimed to simplify and enhance our immediate action procedures and improve our command arrangements. The arrangements in the Business Continuity Plan were assessed in the 2009 Comcover Risk Management Benchmarking Survey and were awarded a maximum score of 10.

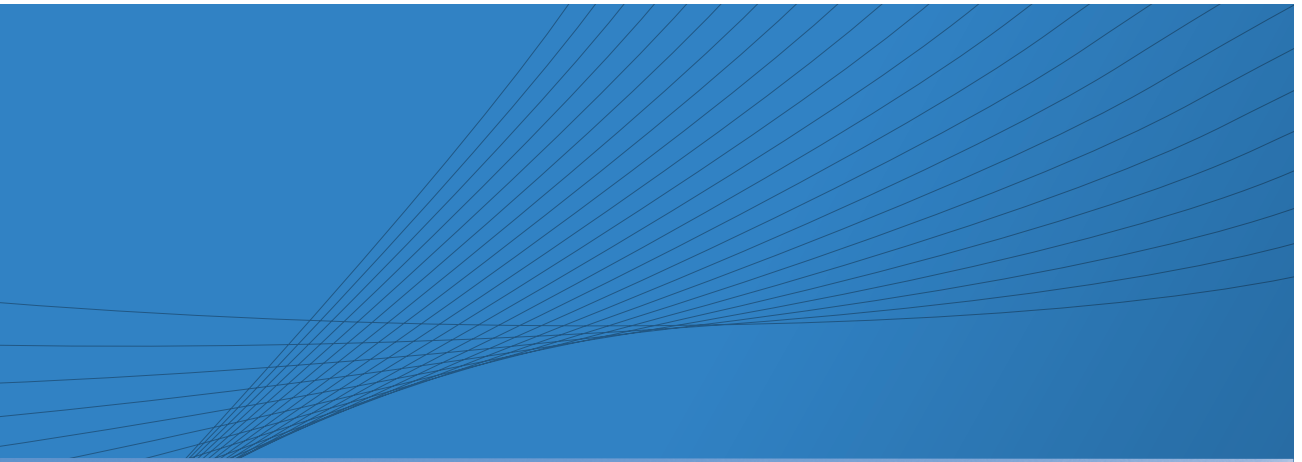
## Advertising and market research

Payments over \$10,900 (inclusive of GST) to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations are set out in Appendix 7.

## Refurbishment of 19 National Circuit, Canberra

The refurbishment of our leased accommodation at 19 National Circuit in Canberra was reported in the 2007–08 annual report as due for completion early in 2009–10. By 30 June 2009, the bulk of the work had been completed and most staff now enjoy a modern workplace that supports one of our Corporate Plan objectives: ‘to provide a working environment that is recognised as a workplace of choice, and a good place for people to achieve their potential in a team environment’.





## PART 5 APPENDIXES



## Appendix 1: Financial results

### 2008–09 Financial results commentary and financial statements

#### Introduction

The Australian National Audit Office's operations are largely funded through parliamentary appropriations. Revenue is also received for the provision of audit-related services, rental income, grant funding and other miscellaneous sources, which under an arrangement pursuant to section 31 of the *Financial Management and Accountability Act 1997*, is accounted for as agency revenue and retained for use by the ANAO.

In accordance with section 14 of the *Auditor-General Act 1997*, we charge fees for the audit of financial statements of Commonwealth authorities and companies. The revenue received is accounted as administered funds and paid directly into Consolidated Revenue.

#### Overview of financial performance

The operating deficit of \$1.455 million for the year ending 30 June 2009 compared to the \$1.598 million surplus in 2007–08 is the net result of a 0.2% increase in revenues and a 4.9% increase in expenses. The increased level of expenses reflects the need to engage experienced contractors for direct audit work and the need for specialist technical and actuarial skills that were not available internally.

The following table provides a summary of our financial position.

**TABLE A1.1: SUMMARY OF FINANCIAL PERFORMANCE**

	2008–09 \$'000	2007–08 \$'000	Variance \$'000	Variance %
<b>Income Statement</b>				
Total revenue	66,817	66,667	150	0.2%
Total expenses	68,272	65,069	3,203	4.9%
Net (deficit)/surplus	(1,455)	1,598	(3,053)	–191.1%
<b>Balance Sheet</b>				
Total assets	20,118	21,707	(1,589)	–7.3%
Total liabilities	13,957	14,098	(141)	–1.0%
Net assets	6,161	7,609	(1,448)	–19.0%
Equity	6,161	7,609	(1,448)	–19.0%

## Agency resource statement

The agency resource statement was introduced in the 2008–09 Portfolio Budget Statements and aims to provide additional information about the various funding sources that the ANAO may draw upon during the year. Table A1.2 details the resources available to the ANAO during 2008–09.

**TABLE A1.2: AGENCY RESOURCE STATEMENT, 2008–09**

	Actual available appropriations for 2008–09 \$'000	Payments made 2008–09 \$'000	Balance remaining \$'000
<b>Ordinary Annual Services</b>			
Departmental appropriation			
Prior year departmental appropriation	16,417	5,602	10,815
Departmental appropriation	63,285	63,285	–
s. 31 relevant agency receipts	2,421	3,080	(659)
<b>Total ordinary annual services</b>	<b>82,123</b>	<b>71,967</b>	<b>10,156</b>
<b>Special Appropriations</b>			
Auditor-General remuneration and expense— <i>Auditor-General Act 1997</i> , Schedule 1, sections 3 and 7	392	452	(60)
<b>Total special appropriations</b>	<b>392</b>	<b>452</b>	<b>(60)</b>
<b>Total resourcing and payments</b>	<b>82,515</b>	<b>72,419</b>	<b>10,096</b>

Note: Payments made from prior year department appropriations were for the office refurbishment and have been capitalised on the balance sheet.

## Resources for outcomes

The ANAO's total resourcing summary by outcome is set out in Table A1.3.

**TABLE A1.3: RESOURCES FOR OUTCOMES, 2008–09**

Outcome 1: Independent assessment of the performance of selected Australian Government public sector activities, including the scope for improving efficiency and administrative effectiveness	Budget 2008–09 '000	Actual expenses 2008–09 '000	Variation '000
<b>Output Group 1: Performance Audit Services</b>			
Departmental outputs			
Output 1.1—Performance Audit Services	22,154	23,367	–1,213
<b>Subtotal for Output Group 1</b>	<b>22,154</b>	<b>23,367</b>	<b>–1,213</b>
<b>Output Group 2: Information Services</b>			
Special Appropriations:			
<i>Auditor-General Act 1997, Schedule 1, sections 3 and 7</i>	196	226	–30
Departmental outputs			
Output 2.1—Assistance to Parliament	506	461	45
Output 2.2—National and International Representation	611	616	–5
Output 2.4—Better practice guides	1,558	616	942
<b>Subtotal for Output Group 2</b>	<b>2,871</b>	<b>1,919</b>	<b>952</b>
<b>Total resources for Outcome 1</b>	<b>25,025</b>	<b>25,286</b>	<b>–261</b>

Outcome 2: Independent assurance of Australian Government public sector financial reporting, administration, control and accountability	Budget 2008–09	Actual expenses 2008–09	Variation
<b>Output Group 2: Information Services</b>			
Special Appropriations:			
<i>Auditor-General Act 1997, Schedule 1, sections 3 and 7</i>	196	226	–30
Departmental Outputs			
Output 2.1—Assistance to Parliament	95	75	20
Output 2.2—National and International Representation	857	719	138
Output 2.3—Client Seminars	0	56	–56
<b>Subtotal for Output Group 2</b>	<b>1,148</b>	<b>1,077</b>	<b>71</b>
<b>Output Group 3: Assurance Audit Services</b>			
Departmental Outputs			
Output 3.1—Financial Statement Audit Reports	39,780	40,258	–478
Output 3.2—Other Assurance reports	741	1,651	–910
<b>Subtotal for Output Group 3</b>	<b>40,521</b>	<b>41,909</b>	<b>–1,388</b>
<b>Total resources for Outcome 2</b>	<b>41,669</b>	<b>42,985</b>	<b>–1,317</b>
<b>Total Outcomes 1 and 2</b>	<b>66,694</b>	<b>68,272</b>	<b>–1,578</b>
<b>Average staffing level (number)</b>		<b>311</b>	
<b>Reconciliation to financial statements</b>			
Departmental Appropriation		63,285	
Special Appropriation		452	
Section 31 revenue		3,080	
Total revenue		66,817	
Operating deficit		(–1,455)	



## Financial statements

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## INDEPENDENT AUDIT REPORT

### For the Australian National Audit Office

**Mr President**

**Mr Speaker**

#### **Scope**

I have audited the accompanying financial statements of the Australian National Audit Office for the year ended 30 June 2009, which comprise: a Statement by the Auditor General and Chief Financial Officer; Income Statement; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments, Administered items and Notes to and forming part of the Financial Statements, including a Summary of Significant Accounting policies.

#### ***The Responsibility of the Auditor-General for the Financial Statements***

The Auditor-General is responsible for the preparation and fair presentation of the financial statements in accordance with the Finance Minister's Orders made under the Financial Management and Accountability Act 1997, including the Australian Accounting Standards (which include the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Auditor's Responsibility***

My responsibility is to express an opinion on the financial statements based on my audit. My audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Australian National Audit Office's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Australian National Audit Office's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Australian National Audit Office, as well as evaluating the overall presentation of the financial statements.

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



### ***Independence***

In conducting the audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

### **Audit opinion**

In my opinion, the financial statements of the Australian National Audit Office:

- a) have been prepared in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards; and
- b) give a true and fair view of the matters required by the Finance Minister's Orders, including the Australian National Audit Office's financial position as at 30 June 2009, and of its financial performance and cash flows for the year then ended.

A handwritten signature in black ink, appearing to read 'Geoff Wilson'.

Geoff Wilson  
Independent Auditor

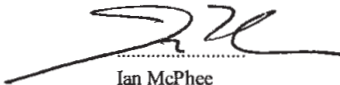
Appointed under clause 1 of Schedule 2 of the *Auditor-General Act 1997*

Canberra,  
**21** August 2009

**STATEMENT BY THE AUDITOR-GENERAL AND CHIEF FINANCE OFFICER**

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In our opinion, the attached financial statements for the year ended 30 June 2009 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, as amended.



Ian McPhee  
Auditor-General

21 August 2009



Anthony Howatson  
Chief Finance Officer

21 August 2009

**INCOME STATEMENT for Australian National Audit Office**  
**for the period ended 30 June 2009**

	Notes	2009 \$'000	2008 \$'000
<b>REVENUE</b>			
Revenue from Government	3A	63,737	63,446
Sale of goods and rendering of services	3B	2,988	2,614
Rental income	3C	92	547
Other income	3D	-	60
<b>Total Revenue</b>		<b>66,817</b>	<b>66,667</b>
<b>EXPENSES</b>			
Employee benefits	4A	35,139	32,179
Suppliers	4B	31,572	30,549
Depreciation and amortisation	4C	1,302	1,591
Net losses from asset sales	4D	2	-
Write-down and impairment of assets	4E	88	56
Finance costs	4F	169	694
<b>Total Expenses</b>		<b>68,272</b>	<b>65,069</b>
<b>(Deficit)/Surplus attributable to the Australian Government</b>		<b>(1,455)</b>	<b>1,598</b>

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

**BALANCE SHEET for Australian National Audit Office  
as at 30 June 2009**

	Notes	2009 \$'000	2008 \$'000
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	812	882
Trade and other receivables	5B	11,907	16,872
Other financial assets	5C	151	26
<b>Total Financial Assets</b>		<b>12,870</b>	<b>17,780</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A	4,947	1,078
Infrastructure, plant and equipment	6B	880	630
Intangibles	6C	691	1,029
Other non-financial assets	6D	730	1,190
<b>Total Non-Financial Assets</b>		<b>7,248</b>	<b>3,927</b>
<b>Total Assets</b>		<b>20,118</b>	<b>21,707</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	2,299	3,023
Operating lease	7B	1,835	1,961
<b>Total Payables</b>		<b>4,134</b>	<b>4,984</b>
<b>Provisions</b>			
Employee provisions	8A	9,783	9,074
Other provisions	8B	40	40
<b>Total Provisions</b>		<b>9,823</b>	<b>9,114</b>
<b>Total Liabilities</b>		<b>13,957</b>	<b>14,098</b>
<b>Net Assets</b>		<b>6,161</b>	<b>7,609</b>
<b>Equity</b>			
Contributed equity		4,929	4,929
Reserves		143	572
Retained surpluses		1,089	2,108
<b>Total Equity</b>		<b>6,161</b>	<b>7,609</b>
<b>Current Assets</b>		<b>13,600</b>	<b>18,970</b>
<b>Non-Current Assets</b>		<b>6,518</b>	<b>2,737</b>
<b>Current Liabilities</b>		<b>11,129</b>	<b>11,865</b>
<b>Non-Current Liabilities</b>		<b>2,828</b>	<b>2,233</b>

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

**STATEMENT OF CHANGES IN EQUITY for Australian National Audit Office**  
**as at 30 June 2009**

	Retained Earnings		Asset Revaluation Reserve		Contributed Equity/Capital		Total Equity	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Opening balance</b>	<b>2,108</b>	510	<b>572</b>	577	<b>4,929</b>	4,929	<b>7,609</b>	6,016
<b>Income and expenses</b>								
Revaluation adjustment	-	-	7	(5)	-	-	7	(5)
Release of reserve on asset disposal	<b>436</b>	-	<b>(436)</b>	-	-	-	-	-
<b>Sub-total income and expenses recognised directly in equity</b>	<b>436</b>	-	<b>(429)</b>	(5)	-	-	<b>7</b>	(5)
(Deficit)/Surplus for the period	<b>(1,455)</b>	1,598	-	-	-	-	<b>(1,455)</b>	1,598
<b>Total income and expenses</b>	<b>(1,455)</b>	1,598	-	-	-	-	<b>(1,455)</b>	1,598
<b>Closing balance as at 30 June</b>	<b>1,089</b>	2,108	<b>143</b>	572	<b>4,929</b>	4,929	<b>6,161</b>	7,609
<b>Closing balance attributable to the Australian Government</b>	<b>1,089</b>	2,108	<b>143</b>	572	<b>4,929</b>	4,929	<b>6,161</b>	7,609

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

**CASH FLOW STATEMENT for Australian National Audit Office  
for the year ended 30 June 2009**

<b>OPERATING ACTIVITIES</b>	<b>Notes</b>	<b>2009 \$'000</b>	<b>2008 \$'000</b>
<b>Cash received</b>			
Goods and services		2,980	3,474
Appropriations		68,523	66,406
Net GST received from ATO		25	18
<b>Total cash received</b>		<b>71,528</b>	<b>69,898</b>
<b>Cash used</b>			
Employees		34,474	32,942
Suppliers		31,958	35,194
<b>Total cash used</b>		<b>66,432</b>	<b>68,136</b>
<b>Net cash flows from operating activities</b>	<b>9</b>	<b>5,096</b>	<b>1,762</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds from sale of infrastructure, plant and equipment		-	-
<b>Total cash received</b>		<b>-</b>	<b>-</b>
<b>Cash used</b>			
Purchase of land and buildings		4,244	897
Purchase of infrastructure, plant and equipment		552	394
Purchase of intangibles		370	569
<b>Total cash used</b>		<b>5,166</b>	<b>1,860</b>
<b>Net cash flows used by investing activities</b>		<b>(5,166)</b>	<b>(1,860)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>		<b>-</b>	<b>-</b>
<b>Cash used</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from or (used by) financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease) in cash held</b>		<b>(70)</b>	<b>(98)</b>
Cash and cash equivalents at the beginning of the reporting period		882	980
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>812</b>	<b>882</b>

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



**SCHEDULE OF COMMITMENTS for Australian National Audit Office  
for the year ended 30 June 2009**

	2009 \$'000	2008 \$'000
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
GST recoverable on commitments	6,740	5,710
<b>Total commitments receivable</b>	6,740	5,710
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Infrastructure, plant and equipment	3,615	683
Intangibles	-	74
<b>Total capital commitments</b>	3,615	757
<b>Other commitments</b>		
Operating leases	36,686	40,211
Other commitments	33,838	21,832
<b>Total other commitments</b>	70,524	62,043
<b>Total commitments payable</b>	74,139	62,800
<b>Net commitments by type</b>	67,399	57,090
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>GST recoverable on commitments</b>		
One year or less	2,473	1,969
From one to five years	2,669	1,801
Over five years	1,598	1,940
<b>Total GST recoverable on commitments receivable</b>	6,740	5,710
<b>Total commitments receivable</b>	6,740	5,710
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	3,615	757
From one to five years	-	-
Over five years	-	-
<b>Total capital commitments</b>	3,615	757
<b>Operating lease commitments</b>		
One year or less	3,903	4,455
From one to five years	15,203	14,412
Over five years	17,580	21,344
<b>Total operating lease commitments</b>	36,686	40,211
<b>Other commitments</b>		
One year or less	19,681	16,437
From one to five years	14,157	5,395
Over five years	-	-
<b>Total other commitments</b>	33,838	21,832
<b>Total commitments payable</b>	74,139	62,800
<b>Net commitments by maturity</b>	67,399	57,090

Commitments are GST inclusive where relevant

**SCHEDULE OF COMMITMENTS for Australian National Audit Office  
for the year ended 30 June 2009**

1. Operating leases included for 2008-09 are effectively non-cancellable and comprise:

Nature of lease	General description of leasing arrangements
Leases for office accommodation	<p>The ANAO has two current accommodation leases, one in the ACT and the other in NSW. The ACT lease expired on 22 September 2008. The new lease commenced on 23 September 2008 for a period of 10 years and is for the ANAO's present accommodation in the ACT. There is an option to extend for a further 10 years and any increases in rent will be at a rate commensurate with the CPI. As part of the lease agreement, the ANAO received an incentive payment of \$1 million from the landlord.</p> <p>The NSW lease was signed on 3 October 2007 for a term of three years with a rent escalation clause of 4.5% each year.</p>
Leases of computer equipment	<p>The ANAO has a current lease for general computer equipment. The old lease expired on 19 December 2008. The new lease, for three years, commenced on 20 December 2008. There are no options to extend although any equipment leased in the final year of the agreement will continue under the agreement for three years. The prices paid are adjusted monthly and lease fees are locked in at the time of ordering. There are no other restrictions imposed by the lease arrangement.</p>

2. Other commitments comprise: contract audit services \$15,672,000 (2007-08: \$14,024,000) Provision of IT Services \$8,915,800 (2007-08 \$1,529,848) and other corporate contracts totalling \$9,250,382 (2007-08: \$6,278,152).

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

**Australian National Audit Office**  
**SCHEDULE OF ADMINISTERED ITEMS**  
**for the year ended 30 June 2009**

	Notes	2009 \$'000	2008 \$'000
<b>Income administered on behalf of Government</b> <i>for the year ended 30 June 2009</i>			
<b>Revenue</b>			
<b>Non-Taxation Revenue</b>			
Rendering of services (audit fees)	13	8,141	7,992
<b>Total revenue administered on behalf of Government</b>		<b>8,141</b>	<b>7,992</b>
<b>Assets administered on behalf of Government</b> <i>as at 30 June 2009</i>			
<b>Financial Assets</b>			
Cash and cash equivalents	14	-	-
Receivables (audit fees)	14	2,448	1,721
Work in progress	14	1,503	1,022
<b>Total assets administered on behalf of Government</b>		<b>3,951</b>	<b>2,743</b>
<b>Liabilities administered on behalf of Government</b> <i>as at 30 June 2009</i>			
<b>Payables</b>			
GST payable	15	248	219
<b>Total liabilities administered on behalf of Government</b>		<b>248</b>	<b>219</b>

*This schedule should be read in conjunction with the accompanying notes.*

**Australian National Audit Office**  
**SCHEDULE OF ADMINISTERED ITEMS (cont'd)**  
**for the year ended 30 June 2009**

	<b>Notes</b>	<b>2009 \$'000</b>	<b>2008 \$'000</b>
<b>Administered Cash Flows</b>			
<i>for the year ended 30 June 2009</i>			
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Rendering of services (audit fees)		<b>6,962</b>	8,574
<b>Total cash received</b>	<b>16</b>	<b>6,962</b>	8,574
<b>Cash used</b>			
Net GST paid to the Australian Taxation Office		<b>696</b>	857
<b>Total cash used</b>		<b>696</b>	857
<b>Net cash flows from operating activities</b>		<b>6,266</b>	7,717
<b>Net increase in cash held</b>		<b>6,266</b>	7,717
Cash to the Official Public Account for:			
- Transfer from other entities		<b>6,266</b>	7,717
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>6,266</b>	7,717
<b>Administered Commitments</b>			
<i>as at 30 June 2009</i>			
<b>Net Administered Commitments</b>		<b>-</b>	-

**Statement of Activities Administered on Behalf of Government**

The Australian National Audit Office undertakes audits of Australian Government agencies, authorities and companies. Auditing expenses are departmental expenses of the ANAO. Those expenses are met from Parliamentary appropriations. Fees are charged for the provision of audit services to certain Commonwealth authorities and companies. Recovered fees are credited to the Official Public Account. The Australian National Audit Office's auditing and related activities are directed towards achieving the two outcomes described in Note 1 to the Financial Statements. Details of activities planned for the year can be found in the Australian National Audit Office Portfolio Budget Statement for 2008-09, which was tabled in the Parliament.

*This schedule should be read in conjunction with the accompanying notes.*

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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<b>Note</b>	<b>Description</b>
1	Summary of Significant Accounting Policies
2	Events after the Balance Sheet Date
3	Income
4	Expenses
5	Financial Assets
6	Non-Financial Assets
7	Payables
8	Provisions
9	Cash Flow Reconciliation
10	Executive Remuneration
11	Remuneration of Auditors
12	Financial Instruments
13	Income Administered on Behalf of Government
14	Assets Administered on Behalf of Government
15	Liabilities Administered on Behalf of Government
16	Administered Reconciliation Table
17	Administered Contingent Liabilities
18	Administered Financial Instruments
19	Appropriations
20	Special Accounts
21	Compensation and Debt Relief
22	Reporting of Outcomes

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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**Note 1 - Summary of Significant Accounting Policies**

**1.1 Objectives of the Australian National Audit Office**

The Australian National Audit Office (ANAO) assists the Auditor-General to carry out his duties and responsibilities under the *Auditor-General Act 1997* and other relevant legislation.

The ANAO has two outcomes which are directly related to the role of the Auditor-General.

**Outcome 1: Improvement in Public Administration** - *independent assessment of the performance of selected Australian Government public sector activities including the scope for improving efficiency and administrative effectiveness.*

**Outcome 2: Assurance** - *independent assurance of Australian Government public sector financial reporting, administration, control and accountability.*

Through the conduct of performance audits, the dissemination of better practice guides and the provision of direct and indirect assistance to the Parliament, the ANAO contributes to improving the efficiency and administrative effectiveness of the Australian Government public sector.

Through the conduct of financial statement audits and other services associated with the conduct of financial statement audits, the ANAO contributes to providing assurance to the Parliament and individual entities.

The continued existence of the ANAO in its present form, and with its present programs, is dependent on the support of the Parliament, Government policy and on the ANAO's programs.

**1.2 Basis of Preparation of the Financial Report**

The financial statements and notes are required by section 49 of Schedule 1 of the *Financial Management and Accountability Act 1997* and are a general purpose financial report.

The financial statements and notes have been prepared in accordance with:

- the Finance Minister's Orders (or FMOs), for reporting periods ending on or after 1 July 2008; and
- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial report has been prepared on an accrual basis and is in accordance with the historical cost convention, except for certain assets at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial report is presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

Unless an alternative treatment is specifically required by an Accounting Standard or the FMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the ANAO or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under Agreements Equally Proportionately Unperformed are not recognised unless required by an Accounting Standard. Liabilities and assets that are unrealised are reported in the schedule of commitments.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the income statement when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

Administered revenues, expenses, assets and liabilities and cash flows reported in the schedule of administered items and related notes are accounted for on the same basis and using the same policies as for departmental items, except where otherwise stated at Note 1.22.

**1.3 Significant Accounting Judgements and Estimates**

In the process of applying the accounting policies listed in this note, the ANAO has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- 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 accounting period.

**Australian National Audit Office****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2009****1.4 Changes in Australian Accounting Standards***Adoption of New Australian Accounting Standard Requirements*

No accounting standard has been adopted earlier than the application date as stated in the standard. The following new standards, amendments to standards or interpretations have become effective for the current financial year and have no material financial impact or do not apply to the operations of the ANAO:

AASB 1 *First-time Adoption of Australian Equivalents to International Financial reporting*, AASB 3 *Business Combinations*, AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, AASB 7 *Financial Instruments: Disclosures*, AASB 101 *Presentation of Financial Statements* (Dec 2007), AASB 114 *Segment Reporting*, AASB 116 *Property, Plant and Equipment*, AASB 127 *Consolidation and Separate Financial Statements* (Dec 2007), AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*, AASB 139 *Financial Instruments, Recognition and Measurement*, AASB 1004 *Contributions*, AASB 1048 *Interpretation and Application of Standards*, AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, AASB 1050 *Administered Items*, AASB 1051 *Land Under Roads*, AASB 1052 *Disaggregated Disclosures*.

AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139], AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AAS 27,29,31 [AASB 3, AASB 5, AASB 8, AASB 101, AASB 114, AASB 116, AASB 127 & AASB 137], AASB 2008-10 Amendments to Australian Accounting Standards - Reclassification of Financial Assets - Effective Date and Transition, AASB 2008-12 Amendments to Australian Accounting Standards - Reclassification of Financial Assets [AASB 7, AASB 139 & AASB 2008-10], AASB 2009-3 Amendments to Australian Accounting Standards - Embedded Derivatives [AASB 139 & Interpretation 9].

Interpretation 4 Determining whether an arrangement contains a lease, Interpretation 12 Service Concession Arrangements (Feb 2007), Interpretation 13 Customer Loyalty Programmes, Interpretation 14 AASB 119 - The limit on a defined benefit asset, minimum funding requirements and their interaction, Interpretation 129 Service Concession Arrangements: Disclosures, Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Service Entities.

*Future Australian Accounting Standard Requirements*

The following new standards, amendments to standards or interpretation have been issued by the Australian Accounting Standards Board but are effective for future reporting periods. It is estimated that the impact of adopting these pronouncements when effective will have no material financial impact on future reporting periods:

AASB1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (May 2009), AASB 3 *Business Combinations* (Mar 2008) AASB 8 *Operating Segments*, AASB 101 *Presentation of Financial Statements* (Sep 2007), AASB 123 *Borrowing Costs*, AASB 127 *Consolidated and Separate Financial Statements* (Mar 2008) AASB 1039 *Concise Financial reports*, AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038], AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

AASB 2007-8 amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101, AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations [AASB 2], AASB 2008-2 Amendments to Australian Accounting Standards - Puttable financial instruments and Obligation arising on Liquidation [AASB 7, AASB 101, AASB 132, AASB 139 & Interpretation 2], AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [ AASBs 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 & 139 and Interpretations 9 & 107], AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 7, 101, 102, 107, 108, 110, 116, 118, 119, 120, 123, 127, 128, 129, 131, 132, 134, 136, 138, 139, 140, 141, 1023 & 1038],

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5], AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 & AASB 136], AASB 2008-8 Amendment to Australian Account Standards - Eligible Hedged items [AASB 139], AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101, AASB 2008-11 Amendments to Australian Accounting Standards - Business Combination Among Not-for-Profit entities, AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners [AASB 5 & AASB 110], AASB 2009-1 Amendments to Australian Accounting Standards - Borrowing Costs of Not-for Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123], AASB 2009-2 Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038], AASB 2009-4 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretation 9 & 16], AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139], AASB 2009-6 Amendments to Australian Accounting Standards, AASB 2009-7 Amendments to Australian Accounting Standards [AASB 5, 7, 107,112, 136 & 139 and Interpretation 17]

Interpretation 1 Changes in Existing decommissioning, Restoration and Similar Liabilities, Interpretation 12, Service Concession Arrangements (June 2007), Interpretation 15, Agreements for the Construction of real Estate, Interpretation 16 hedges of a Net Investment in a Foreign Operation, Interpretation 17 Distributions of Non-cash Assets to Owners, Interpretation 18 Transfers of Assets from Customers.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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## **1.5 Revenue**

### *Revenue from Government*

Amounts appropriated for departmental output appropriations for the year (adjusted for any formal additions and reductions) are recognised as revenue when the ANAO gains control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

For the purpose of Note 12, appropriations receivable are not disclosed as financial instruments as it does not meet the definition of a financial asset.

### *Other Types of Revenue*

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the seller retains no managerial involvement nor effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the ANAO.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts, or other agreements to provide services, at the reporting date. The revenue is recognised when:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- the probable economic benefits associated with the transaction will flow to the ANAO.

The stage of completion of contracts, or other agreements at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

All revenues described in this note are revenues relating to audit and related operating activities of the ANAO, except for revenues received from the sub-lease of surplus space. Revenue amounts are disclosed in Note 3.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at balance date. Allowances are made when collectability of the debt is no longer probable.

## **1.6 Gains**

### *Sale of Assets*

Gains from the disposal of non-current assets is recognised when control of the asset has passed to the buyer.

## **1.7 Transactions with the Government as Owner**

### *Equity injections*

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

No equity injections were received by the ANAO in the 2008-09 financial year.

### *Other distributions to owners*

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

There were no distributions to owners during the 2008-09 financial year.



**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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### **1.8 Employee Benefits**

Liabilities for services rendered by employees are recognised at the reporting date to the extent that they have not been settled.

Liabilities for 'short-term employee benefits' (as defined in AASB 119) and termination benefits due within twelve months of balance date are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

All other employee benefit liabilities are measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

#### *Leave*

The liability for employee benefits includes provision for annual and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the ANAO is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that applied at the time the leave is taken, including the ANAO's employer superannuation contribution rates 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 the work of an actuary as at 30 June 2009. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### *Superannuation*

Staff of the ANAO are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS Accumulation Plan (PSSap).

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 by the Department of Finance and Deregulation as an administered item.

The ANAO makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Government of the superannuation entitlements of the ANAO's employees. The ANAO accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions for the final fortnight of the year.

### **1.9 Leases**

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased non-current assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

The ANAO did not have any finance leases as at 30 June 2009.

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

Lease incentive received are recognised as an integral part of the total lease expense, over the term of the lease.

Leased space, surplus to the ANAO's requirements, has been accounted for as surplus space and was sub-leased on a long-term basis in December 2002. In accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*, the liability for the surplus space has been recognised in the financial statements. The provision will be written down over the remainder of the lease period. Rental income for the sub-lease will be recognised as it is received.

The net present value of future net outlays in respect of surplus space under non-cancellable lease agreements is expensed in the period in which the space becomes surplus.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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**1.10 Borrowing Costs**

All borrowing costs are expensed as incurred.

**1.11 Cash**

Cash and cash equivalents includes notes and coins held and any deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. Cash is recognised at its nominal amount.

**1.12 Financial Assets**

*Loans and Receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

**1.13 Financial Liabilities**

*Supplier and Other Payables*

Supplier and other payables are recognised at their amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

**1.14 Contingent Liabilities and Contingent Assets**

Contingent Liabilities and Contingent Assets are not recognised in the Balance Sheet but are reported in the relevant schedules and notes. They may arise from uncertainty as to the existence of a liability or asset, or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

There were no departmental contingent liabilities or assets as at 30 June 2009 (2008: Nil).

**1.15 Acquisition of Assets**

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**1.16 Infrastructure, Plant and Equipment**

*Asset Recognition Threshold*

Purchases of infrastructure, plant and equipment are recognised initially at cost in the Balance Sheet, except for purchases costing less than \$2,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'makegood' provisions in property leases taken up by the ANAO where there exists an obligation to restore the property to its original condition. These costs are included in the value of the ANAO's leasehold improvements with a corresponding provision for the 'makegood' recognised.

*Revaluations*

Fair values for each class of asset are determined as shown below:

Asset class	Fair value measured at:
Land and buildings (leasehold improvements)	Depreciated replacement cost
Infrastructure, plant and equipment	Market selling price

Following initial recognition at cost, infrastructure, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Infrastructure, plant and equipment are revalued every year to determine if a significant change in the value of the assets has occurred during the financial year. Valuations are carried out by an independent qualified valuer.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised through the Income Statement. Revaluation decrements for a class of assets are recognised directly through the Income Statement except to the extent that they reverse a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

*Depreciation*

Depreciable infrastructure, 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 on a straight-line basis over the lesser of the estimated useful life of the improvements or the unexpired period of the lease.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	<u>2009</u>	<u>2008</u>
Leasehold improvements	Lease term	Lease term
Plant and equipment	3-15 years	3-15 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 4C.

*Impairment*

All infrastructure, plant and equipment assets were assessed for impairment as at 30 June 2009. Refer note 6B for results of current period independent valuation.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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**1.17 Intangibles**

The ANAO's intangibles are comprised of off-the-shelf software. 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 (2007-08: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2009. No impaired software assets were identified.

**1.18 Inventories**

The ANAO has no inventory. Consumable stores and supplies are considered to be immaterial and are not recognised as assets.

**1.19 Taxation**

The ANAO is exempt from all forms of taxation except for Fringe Benefits Tax and the Goods and Services Tax (GST).

Revenues, expenses and assets are recognised net of GST:

- except where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- except for receivables and payables.

**1.20 Work in Progress**

Work in progress includes all unbilled audit work at year-end for which an audit fee is chargeable and is valued at the amount expected to be recovered.

**1.21 Financial Risk Management**

The ANAO's activities expose it to normal commercial financial risk. As a result of the nature of the ANAO's business and internal and Australian Government policies, dealing with the management of financial risk, the ANAO's exposure to market, credit, liquidity and cashflow and fair value interest rate risk is considered to be low.

Further disclosure of the ANAO's exposure to risks, objectives and policies for managing risk are set out in note 12.

**1.22 Prior year comparatives**

Some prior year comparatives have been reclassified to better reflect the nature of the underlying transactions. These reclassifications are not seen as material.

**Australian National Audit Office****NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS****for the year ended 30 June 2009****1.23 Reporting of Administered Activities**

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the schedule of administered items and related notes.

Except where otherwise stated below, administered items are accounted for on the same basis and using the same policies as for departmental items, including the application of Australian Accounting Standards.

Accounting policies that are relevant only to administered activities of the ANAO are disclosed below.

***Administered Cash Transfers to the Official Public Account***

Revenue collected by the ANAO for use by the Government rather than the ANAO is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. The transfers to the OPA are adjustments to the administered cash held by the ANAO on behalf of the Government and reported as such in the statement of cash flows in the schedule of administered items and in the administered reconciliation table in Note 16: Administered Reconciliation Table. The schedule of administered items largely reflects the Government's transactions, through the ANAO, with parties outside the Government.

**Revenue**

All administered revenues are revenues relating to the core operating activities performed by the ANAO on behalf of the Commonwealth. Fees are charged for services rendered and expenses incurred in relation to the conduct of certain audits of Commonwealth authorities and companies.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**Note 2 - Events after the Balance Sheet Date**

No events have occurred after balance date that should be brought to account or noted in the 2008-09 financial statements.

	2009	2008
	\$'000	\$'000

**Note 3 - Income**

**Note 3A: Revenue from Government**

Appropriations

Departmental outputs

63,285      63,038

Departmental special appropriations

452      408

**Total revenue from government**

63,737      63,446

**Note 3B: Sale of goods and rendering of services**

Audit related services

1,120      936

Other

1,868      1,678

**Total sale of goods and rendering of services**

2,988      2,614

Sale of goods and rendering of services to:

Related entities

1,120      936

External entities

1,868      1,678

**Total sale of goods and rendering of services**

2,988      2,614

**Note 3C: Rental income**

Rental income

Operating lease - other

92      547

**Total rental income**

92      547

**Note 3D: Other income**

Other

-      60

**Total other income**

-      60

**Note 4 - Expenses**

**Note 4A: Employee benefits**

Wages and salaries

26,667      24,102

Superannuation:

Defined contribution plan

1,200      791

Defined benefits plan

3,832      3,864

Leave and other entitlements

3,308      3,322

Other employee expenses

132      100

**Total employee benefits**

35,139      32,179

**Note 4B: Suppliers**

Provision of goods - external entities

269      188

Rendering of services - external entities

27,300      24,975

Operating lease rentals\* - external entities

3,887      5,291

Worker's compensation premiums

116      95

**Total supplier expenses**

31,572      30,549

\* These comprise minimum lease payments only.

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**Note 4 - Expenses (cont'd)**

	2009 \$'000	2008 \$'000
<b><u>Note 4C: Depreciation and amortisation</u></b>		
<i>Depreciation</i>		
Plant and equipment	212	182
Infrastructure (Leasehold improvements)	382	751
<i>Total depreciation</i>	594	933
<i>Amortisation</i>		
Intangibles - Computer software	708	658
<b><i>Total depreciation and amortisation</i></b>	<b>1,302</b>	<b>1,591</b>
<b><u>Note 4D: Net losses from asset sales</u></b>		
Infrastructure, plant and equipment:		
Proceeds from sale	-	-
Carrying value of assets sold	2	-
<b><i>Net losses from asset sales</i></b>	<b>2</b>	<b>-</b>
<b><u>Note 4E: Write down and impairment of assets</u></b>		
Asset write downs and impairments from:		
Asset write-offs	4	4
Impairment and devaluation of infrastructure, plant and equipment	84	52
<b><i>Total write down and impairment of assets</i></b>	<b>88</b>	<b>56</b>
<b><u>Note 4F: Finance costs</u></b>		
Unwinding of discount on surplus space liability	169	694
<b><i>Total finance costs</i></b>	<b>169</b>	<b>694</b>

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	2009	2008
	\$'000	\$'000

**Note 5 - Financial Assets**

**Note 5A: Cash and cash equivalents**

Cash on hand or deposit	812	882
<b>Total cash and cash equivalents</b>	<b>812</b>	<b>882</b>

All cash recognised is a current asset.

**Note 5B: Trade and other receivables**

Goods and services - related entities	161	146
Less: Impairment allowance account	-	-
	<b>161</b>	<b>146</b>
GST receivable from the Australian Taxation Office	472	555
Appropriation receivable but undrawn for existing outputs	10,778	15,564
Employee related receivables	496	607
<b>Total trade and other receivables (net)</b>	<b>11,907</b>	<b>16,872</b>

Trade and other receivables are represented by:

Current	11,907	16,872
Non-current	-	-
<b>Total trade and other receivables (net)</b>	<b>11,907</b>	<b>16,872</b>

All receivables have credit terms of net 30 days (2008: 30 days).

Appropriations receivable but undrawn are appropriations controlled by the ANAO but held in the Official Public Account under the Government's just-in-time drawdown arrangements.

Receivables (gross) are aged as follows:

Not overdue	11,869	16,651
Overdue by:		
Less than 30 days	-	221
30 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	38	-
	<b>38</b>	<b>221</b>
<b>Total trade and other receivables (gross)</b>	<b>11,907</b>	<b>16,872</b>

**Note 5C: Other**

Work in progress - audit related services	151	26
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All work in progress is recognised as a current asset.



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	2009 \$'000	2008 \$'000
<b>Note 6 - Non-Financial Assets</b>		
<b><u>Note 6A: Land and buildings</u></b>		
<b>Leasehold improvements</b>		
- at fair value	5,204	1,205
- accumulated amortisation	(257)	(127)
<b>Total leasehold improvements</b>	<b>4,947</b>	<b>1,078</b>
<b>Total land and buildings (non-current)</b>	<b>4,947</b>	<b>1,078</b>
No indicators of impairment were found for leasehold improvements.		
<b><u>Note 6B: Infrastructure, plant and equipment</u></b>		
<b>Infrastructure, plant and equipment</b>		
- at fair value	880	630
- accumulated depreciation	-	-
<b>Total infrastructure, plant and equipment</b>	<b>880</b>	<b>630</b>
<b>Total infrastructure, plant and equipment (non-current)</b>	<b>880</b>	<b>630</b>

All revaluations are independent and are conducted in accordance with the revaluations policy stated at Note 1. In 2008-09, the revaluations were conducted by an independent valuer - Australian Valuation Office on 11 June 2009.

Analysis of land and buildings and infrastructure, plant and equipment

TABLE A - Reconciliation of the Opening and Closing Balances of Land and Buildings and Infrastructure, Plant and Equipment

Item	Leasehold Improvements \$'000	Infrastructure, Plant & Equipment \$'000	TOTAL \$'000
As at 1 July 2008			
Gross book value	1,205	630	1,835
Accumulated depreciation/amortisation	(127)	-	(127)
<b>Opening net book value</b>	<b>1,078</b>	<b>630</b>	<b>1,708</b>
Additions by purchase	4,244	552	4,796
Depreciation/amortisation expense	(382)	(212)	(594)
Net revaluation increment / (decrement)	7	(84)	(77)
Disposals			-
Assets	(252)	(7)	(259)
Accum Depen	252	1	253
<b>As at 30 June 2009</b>			
Gross book value	5,204	880	6,084
Accumulated depreciation/amortisation	(257)	-	(257)
<b>Closing net book value</b>	<b>4,947</b>	<b>880</b>	<b>5,827</b>

Item	Leasehold Improvements \$'000	Infrastructure, Plant & Equipment \$'000	TOTAL \$'000
As at 1 July 2007			
Gross book value	956	474	1,430
Accumulated depreciation/amortisation	(79)	-	(79)
<b>Opening net book value</b>	<b>877</b>	<b>474</b>	<b>1,351</b>
Additions by purchase	897	394	1,291
Addition by recognition of makegood obligation	60	-	60
Impairments recognised in the operating result	(5)	(51)	(56)
Depreciation/amortisation expense	(751)	(182)	(933)
Net Revaluation increment/(decrement)	-	(5)	(5)
<b>As at 30 June 2008</b>			
Gross book value	1,205	630	1,835
Accumulated depreciation/amortisation	(127)	-	(127)
<b>Closing net book value</b>	<b>1,078</b>	<b>630</b>	<b>1,708</b>

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**Note 6 - Non-Financial Assets (cont'd)**

**Note 6C: Intangible assets**

	2009 \$'000	2008 \$'000
<b>Computer software</b>		
- at cost	2,974	2,806
- accumulated amortisation	(2,283)	(1,777)
<b>Total intangibles (non-current)</b>	<b>691</b>	<b>1,029</b>

No indicators of impairment were found for intangible assets.

TABLE A - Reconciliation of opening and closing balances of intangibles

Item	Computer Software \$'000
<b>As at 1 July 2008</b>	
Gross book value	2,806
Accumulated amortisation	(1,777)
<b>Opening net book value</b>	<b>1,029</b>
Amortisation expense	(708)
Additions by purchase	370
Write-off of software:	
- cost	(202)
- amortisation	202
<b>As at 30 June 2009</b>	
Gross book value	2,974
Accumulated amortisation	(2,283)
<b>Closing net book value</b>	<b>691</b>

Item	Computer Software \$'000
<b>As at 1 July 2007</b>	
Gross book value	2,237
Accumulated amortisation	(1,119)
<b>Opening net book value</b>	<b>1,118</b>
Amortisation expense	(658)
Additions by purchase	569
Write-off of software:	
- cost	-
- amortisation	-
<b>As at 30 June 2008</b>	
Gross book value	2,806
Accumulated amortisation	(1,777)
<b>Closing net book value</b>	<b>1,029</b>

**Note 6D: Other non-financial assets**

Prepayments	730	1,190
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All other non-financial assets are current assets.

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	2009	2008
	\$'000	\$'000

**Note 7 - Payables**

**Note 7A: Suppliers**

Trade creditors - external entities	2,241	2,857
Trade creditors - related entities	58	166
<b>Total supplier payables</b>	<b>2,299</b>	<b>3,023</b>

All supplier payables are current liabilities and will be settled within 30 days. Trade creditors includes supplier accruals of \$1,600,685 (2007-08: \$1,108,623 million). For the purpose of Note 12, other accruals have been presented as a supplier payable.

**Note 7B: Operating lease**

Operating lease incentive	1,825	977
Operating lease payables	10	984
<b>Total operating lease</b>	<b>1,835</b>	<b>1,961</b>

Operating lease payables are represented by:

Current	208	888
Non-current	1,627	1,073
<b>Total operating lease</b>	<b>1,835</b>	<b>1,961</b>

**Note 8 - Provisions**

**Note 8A: Employee provisions**

Salaries and wages	576	368
Leave	8,540	7,956
Superannuation	667	750
<b>Total employee provisions</b>	<b>9,783</b>	<b>9,074</b>

Employee provisions are represented by:

Current	8,582	7,964
Non-current	1,201	1,110
<b>Total employee provisions</b>	<b>9,783</b>	<b>9,074</b>

The classification of current employee provisions includes amounts for which there is not an unconditional right to defer settlement by one year, hence in the case of employee provisions the above classification does not represent the amount expected to be settled within one year of reporting date. Employee provisions expected to be settled in twelve months from the reporting date were \$2,201,000 (2008 \$2,041,000) and in excess of one year \$7,582,000 (2008: \$7,033,000)

**Note 8B: Other provisions**

Make good provision	40	40
<b>Total other provisions</b>	<b>40</b>	<b>40</b>

Other provisions are represented by:

Current	40	40
Non-current	-	-
<b>Total other provisions</b>	<b>40</b>	<b>40</b>

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	2009 \$'000	2008 \$'000
<b>Note 9 - Cash Flow Reconciliation</b>		
Reconciliation of cash and cash equivalents per Balance Sheet to Cash Flow Statement		
Cash and cash equivalents at year end per Cash Flow Statement	812	882
Balance Sheet items comprising above cash: 'Financial Asset - Cash and cash equivalents'	812	882
<b>Reconciliation of surplus to net cash flows from operating activities:</b>		
Operating result	(1,455)	1,598
Depreciation/amortisation	1,302	1,591
Net write down of non-financial assets	88	56
Loss/(gain) on disposal of assets	2	(60)
Decrease/(increase) in net receivables	4,965	2,851
Decrease/(increase) in other financial assets	(125)	43
(Increase)/decrease in prepayments	460	(238)
(Decrease)/increase in employee provisions	709	(367)
(Decrease)/increase in supplier payables	(724)	(3,126)
(Decrease)/increase in other provisions	(126)	-
(Decrease)/increase in other interest bearing liabilities	-	(586)
<b>Net cash flow from/(used by) operating activities</b>	<b>5,096</b>	<b>1,762</b>

**Note 10 - Executive Remuneration**

The number of senior executives who received or were due to receive total remuneration of \$130,000 or more:

	2009 No.	2008 No.
\$130 000 to \$144 999	-	2
\$145 000 to \$159 999	-	2
\$160 000 to \$174 999	-	2
\$175 000 to \$189 999	3	1
\$190 000 to \$204 999	6	6
\$205 000 to \$219 999	8	5
\$220 000 to \$234 999	1	1
\$235 000 to \$249 999	2	2
\$250 000 to \$264 999	3	-
\$265 000 to \$279 999	-	1
\$295 000 to \$309 999	1	2
\$355 000 to \$369 999	-	1
\$370 000 to \$389 999	1	-
\$415 000 to \$429 999	-	1
\$490 000 to \$504 999	-	1
\$505 000 to \$519 999	1	-
<b>Total</b>	<b>26</b>	<b>27</b>

The aggregate amount of total remuneration of senior executives shown above.

**\$ 6,130,959**   **\$ 6,213,085**

The aggregate amount of separation and redundancy/termination benefit payments during the year to senior executives shown above.

**-**   **-**

Executive remuneration includes all forms of consideration given by an entity in exchange for service rendered by employees. This includes salary, performance bonuses, annual and long service leave entitlements, car allowances (if applicable) and other cash and non-cash benefits.

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**Note 11 - Remuneration of Auditors**

	2009	2008
Amounts received, or due and receivable by the Independent Auditor for:		
Financial statement audit	87,200	86,350
Performance audit	5,000	80,000
	<b>92,200</b>	<b>166,350</b>

Under clause 1 of Schedule 2 to the *Auditor-General Act 1997*, Mr Geoff Wilson, a partner from the firm of KPMG, was reappointed as Independent Auditor for a term beginning on 24 April 2009 to 23 April 2012. Mr Wilson's appointment is a personal one and he performed no other services for the ANAO. Audit fees for financial statement audit includes an allowance for superannuation.

**Note 12 - Financial Instruments**

**Note 12A: Categories of financial instruments**

	Notes	2009 \$'000	2008 \$'000
<b>Financial Assets</b>			
<b>Loans and Receivables</b>			
Cash and cash equivalents	5A	812	882
Receivables for goods and services	5B	161	146
Employee related receivables	5B	496	569
<b>Total Financial Assets</b>		<b>1,469</b>	<b>1,597</b>
<b>Financial Liabilities</b>			
Supplier payables	7A	2,299	3,023
Lease incentive	7B	1,835	1,961
<b>Total Financial Liabilities</b>		<b>4,134</b>	<b>4,984</b>

The net fair values of the financial assets and financial liabilities approximate their carrying amounts. Any difference between the fair value and carrying value is determined not to be material.

**Note 12B: Credit Risk**

The ANAO is exposed to minimal credit risk as financial assets represent cash and cash equivalents and trade and other receivables. For the purposes of this note appropriations and GST receivables are not disclosed as financial instruments as they do not meet the definition of a financial asset. The maximum exposure to credit risk is the risk that arises from potential default of a debtor. This amount is equal to the total amount of trade and other receivables (2009: \$1,129,000 and 2008: \$1,270,000). The ANAO has assessed the risk of the default on payment to be nil as at 30 June 2009 (2008: nil).

The ANAO manages its credit risk by undertaking background and credit checks prior to allowing a debtor relationship. In addition, the ANAO has policies and procedures that guide employees debt recovery techniques that are to be applied. The ANAO does not require collateral in respect of trade and other receivables.

The ANAO has determined that none of its financial assets that are past due are impaired.

Ageing of financial assets that are past due can be found in note 5B.

**Note 12C: Liquidity Risk**

The ANAO's financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that the ANAO will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to appropriation funding mechanisms available to the ANAO (e.g. Advance to the Finance Minister) and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Financial liabilities represent current liabilities which are expected to mature within 30 days.

**Note 12D: Market Risk**

The ANAO holds basic financial instruments that do not expose the ANAO to any market risk. The ANAO is not exposed to 'Currency risk' or 'Other price risk'.

**Note 12E: Interest Rate Risk**

The ANAO is not subject to interest rate risk.

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	2009 \$'000	2008 \$'000
<b>Note 13 - Income Administered on Behalf of Government</b>		
<b>Revenue</b>		
<b>Services</b>		
Rendering of services - Financial statement audit fees	8,141	7,992
<b>Total Revenues Administered on Behalf of Government</b>	<b>8,141</b>	<b>7,992</b>
<b>Note 14 - Assets Administered on Behalf of Government</b>		
<b>Financial Assets</b>		
<b>Cash and cash equivalents</b>		
Administered bank account - Australian National Audit Office	-	-
<b>Receivables</b>		
Receivables - Financial statement audit fees	2,448	1,721
Receivables (gross) are aged as follows:		
Not overdue	2,231	1,706
Overdue by:		
Less than 30 days	-	-
30 to 60 days	140	-
61 to 90 days	42	15
More than 90 days	35	-
<b>Total receivables (gross)</b>	<b>2,448</b>	<b>1,721</b>
<b>Work in progress</b>		
Financial statement audits	1,503	1,022
<b>Total Assets Administered on Behalf of Government</b>	<b>3,951</b>	<b>2,743</b>
<b>Note 15 - Liabilities Administered on Behalf of Government</b>		
<b>Other payables</b>		
GST payable to Australian Taxation Office	248	219
<b>Total other payables</b>	<b>248</b>	<b>219</b>
<b>Total Liabilities Administered on Behalf of Government</b>	<b>248</b>	<b>219</b>
All liabilities are expected to be settled within 30 days of balance date.		
<b>Note 16 - Administered Reconciliation Table</b>		
<b>Opening administered assets less administered liabilities as at 1 July</b>	<b>2,524</b>	<b>3,106</b>
Plus: Administered income	8,141	7,992
Transfers to the OPA	(6,962)	(8,574)
<b>Closing administered assets less administered liabilities as at 30 June</b>	<b>3,703</b>	<b>2,524</b>
<b>Note 17 - Administered Contingent Liabilities</b>		
<b>Quantifiable Administered Contingencies</b>		
There were no quantifiable Administered Contingent Liabilities as at 30 June 2009 (2008: Nil).		
<b>Unquantifiable Administered Contingencies</b>		
There were no unquantifiable Administered Contingent Liabilities as at 30 June 2009 (2008: Nil).		
<b>Remote Administered Contingencies</b>		
There were no remote Administered Contingent Liabilities as at 30 June 2009 (2008: Nil).		
<b>Note 18 - Administered Financial Instruments</b>		
<b>Financial Assets</b>		
Receivables (audit fees)	2,448	1,721
<b>Carrying amount of financial assets</b>	<b>2,448</b>	<b>1,721</b>
<b>Financial Liabilities</b>		
GST payables	248	219
<b>Carrying amount of financial liabilities</b>	<b>248</b>	<b>219</b>
The ANAO is not subject to any risk for Administered items as these relate to functions undertaken on behalf of Government		

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Note 19 - Appropriations

**Note 19A: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for Ordinary Annual Services Appropriations**

The ANAO does not receive Administered appropriations.

Particulars	Departmental Outputs		Total	
	2009	2008	2009	2008
Balance carried from previous period ( <i>Appropriations Act</i> )	12,809,801	14,950,136	12,809,801	14,950,136
Reductions of appropriations ( <i>Appropriation Act section 9</i> )	-	-	-	-
<b>Adjusted Balance carried from previous period</b>	<b>12,809,801</b>	<b>14,950,136</b>	<b>12,809,801</b>	<b>14,950,136</b>
<i>Appropriation Act (No. 1) 2008-09 as passed</i>	62,106,000	63,038,000	62,106,000	63,038,000
<i>Appropriation Act (No. 3) 2008-09 as passed</i>	1,179,000	-	1,179,000	-
<i>Appropriation Act (No. 5) 2008-09 as passed</i>	-	-	-	-
Administered Appropriations Lapsed ( <i>Appropriation Act section 8</i> )	-	-	-	-
Sub-total 2008-2009 Appropriation	63,285,000	63,038,000	63,285,000	63,038,000
Appropriations to take account of recoverable GST ( <i>FMA Act s30A</i> )	3,685,616	3,497,694	3,685,616	3,497,694
Relevant agency receipts ( <i>FMA Act s37</i> )	2,978,969	3,472,962	2,978,969	3,472,962
Total appropriations available for payments	82,759,386	84,958,792	82,759,386	84,958,792
Cash payments made during the year (GST inclusive)	(71,121,304)	(72,148,991)	(71,121,304)	(72,148,991)
<b>Balance of Authority to Draw Cash from the CRF for Ordinary Annual Services Appropriations</b>	<b>11,638,082</b>	<b>12,809,801</b>	<b>11,638,082</b>	<b>12,809,801</b>
Represented by:				
Cash at bank and on hand	811,590	882,069	811,590	882,069
Departmental appropriations receivable	10,271,923	11,452,114	10,271,923	11,452,114
Receivables - GST receivable from customers	-	-	-	-
Receivables - GST receivable from the ATO	554,569	475,618	554,569	475,618
Receivables - departmental appropriations - drawing rights withheld by the Finance Minister ( <i>FMA Act s27(4)</i> )	-	-	-	-
Formal reductions of appropriations	-	-	-	-
Receivables - departmental appropriations (appropriation for additional outputs)	-	-	-	-
Payables - GST payable	-	-	-	-
Undrawn, unapplied administered appropriations	-	-	-	-
<b>Total</b>	<b>11,638,082</b>	<b>12,809,801</b>	<b>11,638,082</b>	<b>12,809,801</b>

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**Note 19 - Appropriations (cont'd)**

**Note 19B: Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund (CRF) for other than Ordinary Annual Services Appropriations**

Particulars	Non-operating		Total	
	2009	2008	2009	2008
Balance carried from previous period	5,330,000	5,330,000	5,330,000	5,330,000
Reductions of appropriations ( <i>Appropriation Act section 9</i> )	-	-	-	-
Adjusted balance carried from previous period	5,330,000	5,330,000	5,330,000	5,330,000
Appropriation Act (No.2)	-	-	-	-
Appropriation Act (No.4)	-	-	-	-
Departmental Adjustments and Borrowings	-	-	-	-
Advance to the Finance Minister	-	-	-	-
Adjustment of appropriations on change of entity function ( <i>FMA Act s32</i> )	-	-	-	-
Refunds credited (net) ( <i>FMA Act s30</i> )	-	-	-	-
Appropriation reduced by a section 11 determination (current year)	-	-	-	-
Sub-total Annual Appropriation	5,330,000	-	5,330,000	-
Appropriations to take account of recoverable GST ( <i>FMA Act s30A</i> )	478,686	-	478,686	-
Total appropriations available for payments	5,808,686	5,330,000	5,808,686	5,330,000
Cash payments made during the year (GST inclusive)	(5,265,541)	-	(5,265,541)	-
Appropriations credited to Special Accounts (GST exclusive)	-	-	-	-
Balance of Authority to Draw Cash from the CRF for other than Ordinary Annual Services Appropriations	543,145	5,330,000	543,145	5,330,000

Particulars	Non-operating		Total	
	2009	2008	2009	2008
<i>Represented by:</i>				
Cash at bank and on hand	-	-	-	-
Departmental appropriation receivable	543,145	5,330,000	543,145	5,330,000
GST receivable from the ATO	-	-	-	-
Departmental appropriation receivable - Drawing rights withheld by the Finance Minister ( <i>FMA Act s27(4)</i> )	-	-	-	-
Formal reductions of appropriation revenue	-	-	-	-
Departmental appropriation receivable (appropriation for additional outputs)	-	-	-	-
Undrawn, unlapsd administered appropriations	-	-	-	-
Total	543,145	5,330,000	543,145	5,330,000



**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**Note 19 - Appropriations (cont'd)**

**Note 19C - Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Unlimited Amount)**

<b>Auditor-General Act 1997 - Schedule 1 sections 3 and 7</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Purpose: Remuneration expenses and allowances of the office of the Auditor-General		
	<b>Outcome 1</b>	
Cash payments made during the year	<b>226,000</b>	204,000
<i>Estimated actual</i>	<b>196,000</b>	196,000
	<b>Outcome 2</b>	
Cash payments made during the year	<b>226,000</b>	204,000
<i>Estimated actual</i>	<b>196,000</b>	196,000
Total payments made	<b>452,000</b>	408,000
<i>Total estimated actual</i>	<b>392,000</b>	392,000

**Note 19D - Acquittal of Authority to Draw Cash from the Consolidated Revenue Fund - Special Appropriations (Refund Provisions)**

<b>Financial Management and Accountability Act 1997 - s28 Refund of Receipts</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Purpose: Refund of GST clawback and Departmental items receipted in Administered bank account		
Cash payments made during the year	<b>1,486,739</b>	1,367,436
<i>Budget estimate (FMA Act section 28)</i>	<b>2,000,000</b>	2,000,000

**Note 20 - Special Accounts**

<b>Other Trust Monies Special Account - Special Public Monies (departmental)</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Legal Authority: <i>Financial Management and Accountability Act 1997</i> , section 20		
Purpose: For expenditure of monies temporarily held on trust or otherwise for the benefit of a person other than the Commonwealth.		
Balance carried from previous period	<b>1</b>	165
Appropriation for reporting period	-	-
Costs recovered	-	-
GST credits ( <i>FMA Act s30A</i> )	-	-
Realised investments	-	-
Other receipts - Comcare receipts paid in accordance with the <i>Safety Rehabilitation and Compensation Act 1998</i> .	<b>63</b>	221
Available for payments	<b>63</b>	386
Payments made to employees	<b>(63)</b>	(385)
Repayments debited from the Special Account ( <i>FMA Act s28</i> )	-	-
Investments debited from the Special Account ( <i>FMA Act s39</i> )	-	-
Balance carried to the next period	<b>1</b>	1
<i>Represented by:</i>		
Cash - transferred to the Official Public Account	-	-
Cash - held by the entity	<b>1</b>	1
Total	<b>1</b>	1

The note above discloses the transactions relating to Comcare.

The ANAO's Services for Other Government and Non-agency Bodies Special Account (Special Public Money) was not used during the 2008-09 or 2007-08 financial years.

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

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**Note 21 - Compensation and Debt Relief**

	<b>2009</b>	2008
	<b>\$'000</b>	\$'000
<hr/>		
<i>Departmental</i>		
No payments made under section 73 of the Public Service Act 1999 (2007-08: No payments made).	<b>Nil</b>	Nil
<hr/>		
<i>Administered</i>		
No 'Act of Grace' expenses were incurred during the reporting period (2007-08: No payments made).	<b>Nil</b>	Nil
<hr/>		
No waivers of amounts owing to the Commonwealth were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act 1997</i> . (2007-08: No waivers made).	<b>Nil</b>	Nil
<hr/>		
No ex-gratia payments were made during the year (2007-08: No payments made).	<b>Nil</b>	Nil
<hr/>		

**Australian National Audit Office**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**for the year ended 30 June 2009**

**Note 22 - Reporting of Outcomes**

The Australian National Audit Office records direct costs for each outcome and attributes resources employed in corporate activities to outcomes in-line with utilisation of program resources. The basis of attribution in the table below is consistent with the basis used for the 2008-09 Budget.

**Note 22A: Net Cost of Outcome Delivery**

	Outcome 1			Outcome 2			Total	
	Improvement in Public Administration			Assurance				
	2009	2008		2009	2008		2009	2008
	\$'000	\$'000		\$'000	\$'000		\$'000	\$'000
Administered expenses	-	-		-	-		-	-
Departmental expenses	25,287	25,407		42,985	39,662		68,272	65,069
<b>Total expenses</b>	<b>25,287</b>	<b>25,407</b>		<b>42,985</b>	<b>39,662</b>		<b>68,272</b>	<b>65,069</b>
<i>Costs recovered from provision of goods and services to the non-government sector</i>								
Administered	-	-		-	-		-	-
Departmental	39	274		53	273		92	547
<b>Total costs recovered</b>	<b>39</b>	<b>274</b>		<b>53</b>	<b>273</b>		<b>92</b>	<b>547</b>
<i>Other external revenues</i>								
Administered	-	-		-	-		-	-
Departmental	785	799		2,203	1,875		2,988	2,674
<b>Total other external revenues</b>	<b>785</b>	<b>799</b>		<b>2,203</b>	<b>1,875</b>		<b>2,988</b>	<b>2,674</b>
<b>Net cost/(contribution) of outcome</b>	<b>24,463</b>	<b>24,334</b>		<b>40,729</b>	<b>37,514</b>		<b>65,192</b>	<b>61,848</b>



Australian National Audit Office  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2009

Note 22 - Reporting of Outcomes (cont'd)

Note 22C: Major Classes of Administered Revenues and Expenses by Outcome

	Outcome 1 Improvement in Public Administration		Outcome 2 Assurance		Total	
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered Revenue</b>						
Sale of goods and services (audit fees)	-	-	8,141	7,992	8,141	7,992
<b>Total Administered Revenues</b>	-	-	8,141	7,992	8,141	7,992
<b>Administered Expenses</b>						
<b>Total Administered Expenses</b>	-	-	-	-	-	-

Australian National Audit Office  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
for the year ended 30 June 2009

Note 22 - Reporting of Outcomes (cont'd)

Note 22D: Major Classes of Departmental Assets and Liabilities by Outcome

	Outcome 1		Outcome 2		Total	
	Improvement in		Assurance			
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Departmental assets</b>						
Cash and cash equivalents	354	385	458	497	812	882
Trade and other receivables	5,194	7,360	6,713	9,512	11,907	16,872
Other financial assets	66	11	85	15	151	26
Land and buildings	2,159	470	2,788	608	4,947	1,078
Infrastructure, plant and equipment	384	275	496	355	880	630
Intangibles	301	449	390	580	691	1,029
Other non financial assets	319	519	411	671	730	1,190
<b>Total departmental assets</b>	<b>8,777</b>	<b>9,469</b>	<b>11,341</b>	<b>12,238</b>	<b>20,118</b>	<b>21,707</b>
<b>Departmental liabilities</b>						
Suppliers	1,003	1,319	1,296	1,704	2,299	3,023
Employee provisions	4,268	3,958	5,515	5,116	9,783	9,074
Other provisions	17	17	23	23	40	40
<b>Total departmental liabilities</b>	<b>5,288</b>	<b>5,295</b>	<b>6,833</b>	<b>6,842</b>	<b>12,122</b>	<b>12,137</b>

Note 22D: Major Classes of Administered Assets and Liabilities by Outcome

	Outcome 1		Outcome 2		Total	
	Improvement in		Assurance			
	2009	2008	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Administered assets</b>						
Cash and cash equivalents	-	-	-	-	-	-
Receivables (audit fees)	-	-	2,448	1,721	2,448	1,721
Work in progress	-	-	1,503	1,022	1,503	1,022
<b>Total administered assets</b>	<b>-</b>	<b>-</b>	<b>3,951</b>	<b>2,743</b>	<b>3,951</b>	<b>2,743</b>
<b>Administered liabilities</b>						
GST payable	-	-	248	219	248	219
<b>Total administered liabilities</b>	<b>-</b>	<b>-</b>	<b>248</b>	<b>219</b>	<b>248</b>	<b>219</b>

## Appendix 2: Staffing statistics

**TABLE A2.1: STAFFING PROFILE AT 30 JUNE 2009**

Classification	ACT	NSW	2008–09 total	2007–08 total
SES Band 3	1		1	1
SES Band 2	5		5	6
SES Band 1	20		20	19
EL 2	87	4	91	83
EL 1	49	1	50	39
APS 6	49	5	54	51
APS 5	55		55	39
APS 4	39	1	40	37
APS 3	17		17	16
APS 2	5		5	3
APS 1				1
Graduate	18		18	20
Undergraduate	9		9	7
<b>Total</b>	<b>354</b>	<b>11</b>	<b>365</b>	<b>322</b>

Note: Includes all staff employed by ANAO, including operative and inoperative staff. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

**TABLE A2.2: ANAO PAID OPERATIVE STAFF (EMPLOYED UNDER THE *PUBLIC SERVICE ACT 1999*) AT 30 JUNE 2009**

Location	June 2008			June 2009		
	Audit	Non-audit	Sub-total	Audit	Non-audit	Sub-total
ACT	230	63	293	270	52	322
NSW	9	1	10	10	0	10
<b>Total</b>		<b>303</b>		<b>332</b>		

Note: Excludes 33 inoperative staff.

**TABLE A2.3: PAID FULL-TIME, PART-TIME AND NON-ONGOING STAFF AT 30 JUNE 2009**

Classification	Full-time		Part-time		Non-ongoing		Total	
	M	F	M	F	M	F	M	F
SES Band 3	1						1	
SES Band 2	5						5	
SES Band 1	12	7		1			12	8
EL 2	45	27	3	9	2	1	50	37
EL 1	23	15	1	7	2		26	22
APS 6	24	22	2	3			26	25
APS 5	25	24		2		2	25	28
APS 4	15	18	1	1	2	1	18	20
APS 3		14				3		17
APS 2	1	1		2	1		2	3
APS 1								
Graduate	6	12					6	12
Undergraduate					5	4	5	4
<i>Subtotal</i>	<i>157</i>	<i>140</i>	<i>7</i>	<i>25</i>	<i>12</i>	<i>11</i>	<i>176</i>	<i>176</i>
<b>Total</b>	<b>297</b>		<b>32</b>		<b>23</b>		<b>352</b>	

Note: Includes paid operative and inoperative staff, but excludes 13 unpaid staff who were on leave without pay.

**TABLE A2.4: ANALYSIS OF WORKPLACE DIVERSITY GROUPS WITHIN SALARY LEVELS, 2008–09**

Salary range	Women	NESB1	NESB2	ATSI	PWD
Below \$47,631 (includes APS 1 and undergraduates)	4	2	2	–	–
\$47,631 to \$56,369 (includes APS 2–3 and graduates)	32	4	5	–	–
\$56,370 to \$73,612 (includes APS 4–5)	51	15	13	–	1
\$73,613 to \$96,534 (includes APS 6–EL 1)	50	11	7	–	–
\$96,535 and above	47	8	11	–	2
<b>Total staff: 365</b>	<b>184 (50%)</b>	<b>40 (11%)</b>	<b>38 (10%)</b>	<b>–</b>	<b>3 (&lt;1%)</b>

Note: All staff employed by ANAO, including operative and inoperative staff.

Key:

NESB1: Non-English speaking background, overseas born.

NESB2: Non-English speaking background, first-generation Australian.

ATSI: Aboriginal or Torres Strait Islander.

PWD: People with disability.



**TABLE A2.5: DETAILS OF GAINS AND LOSSES—ONGOING STAFF**

Location	Movements to other departments	Resignations	Medical retirements	Voluntary retirements	Other	Total losses	Gains
ACT	21	26	–	–	4	51	73
NSW	–	–	–	–	–	–	–
<b>Total</b>	<b>21</b>	<b>26</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>51</b>	<b>73</b>

**TABLE A2.6: DETAILS OF STAFF TRAINING**

Description	2008–09	2007–08	2006–07	2005–06	2004–05	2003–04
Net eligible training expenditure (including salaries)	\$890,642	\$993,759	\$1,161,057	\$993,236	\$847,755	\$608,791
Total number of person-days spent by staff on eligible training programs	2,168	1,753	2,176	2,044	1,898	1,763
Total number of staff eligible to participate in training programs	352	297	321	319	280	274

**TABLE A2.7: BASIS OF EMPLOYMENT OF STAFF**

Level	Basis of employment of staff		
	Employment under Certified Agreement	Employment under AWA	Employment under Common Law Contract
SES	–	20	6
Non-SES staff	326	13	–
Subtotal	326	33	6
<b>Total</b>		<b>365</b>	

**TABLE A2.8: PERFORMANCE PAYMENTS**

Classification	Number	Total for classification (\$)	Average payment (\$)	Minimum payment (\$)	Maximum payment (\$)
SES	25	173,763	6,951	2,700	10,000
Exec 2	43	157,607	3,665	1,331	8,604
Exec 1	20	57,657	2,883	1,583	6,617
APS 6	32	83,956	2,624	1,058	5,129
APS 5	19	36,093	1,900	1,457	3,399
APS 4	4	6,921	1,730	1,573	1,881
APS 1–3	5	7,379	1,476	1,060	1,742
<b>Total</b>	<b>148</b>	<b>523,376</b>			

## Appendix 3: Audit reports tabled in 2008–09

Report title	Date tabled	Cost (\$) <sup>a</sup>
Audit Report No. 1 2008–09 Performance Audit <i>Employment and management of locally engaged staff</i>	5 August 2008	420,000
Audit Report No. 2 2008–09 Performance Audit <i>Tourism Australia</i>	6 August 2008	369,400
Audit Report No. 3 2008–09 Performance Audit <i>Establishment and management of the Communications Fund</i>	23 September 2008	395,000
Audit Report No. 4 2008–09 Performance Audit <i>The Business partnership agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink</i>	24 September 2008	530,000
Audit Report No. 5 2008–09 Performance Audit <i>The Senate Order for departmental and agency contracts (calendar year 2007 compliance)</i>	25 September 2008	320,000
Audit Report No. 6 2008–09 Performance Audit <i>Illegal, unreported and unregulated fishing in the Southern Ocean</i>	30 September 2008	434,500
Audit Report No. 7 2008–09 Performance Audit <i>Centrelink's tip-off system</i>	16 October 2008	398,500
Audit Report No. 8 2008–09 Performance Audit <i>National Marine Unit</i>	11 November 2008	147,000
Audit Report No. 9 2008–09 Assurance Review <i>Defence Materiel Organisation—Major projects report 2007–08</i>	27 November 2008	1,030,000
Audit Report No. 10 2008–09 Performance Audit <i>Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme</i>	2 December 2008	330,000
Audit Report No. 11 2008–09 Performance Audit <i>Disability Employment Services</i>	4 December 2008	408,300
Audit Report No. 12 2008–09 Performance Audit <i>Active After-school Communities Program</i>	10 December 2008	370,000
Audit Report No. 13 2008–09 Performance Audit <i>Government agencies' management of their websites</i>	16 December 2008	445,000
Audit Report No. 14 2008–09 Financial Statement <i>Audit Audits of the financial statements of Australian Government entities for the period ended 30 June 2008</i>	17 December 2008	356,700
Audit Report No. 15 2008–09 Performance Audit <i>The Australian Institute of Marine Science's management of its Co-investment Research Program</i>	18 December 2008	283,200
Audit Report No. 16 2008–09 Performance Audit <i>The Australian Taxation Office's administration of business continuity management</i>	22 December 2008	472,500

Report title	Date tabled	Cost (\$) <sup>a</sup>
Audit Report No. 17 2008–09 Performance Audit <i>Administration of Job Network outcome payments</i>	28 January 2009	341,100
Audit Report No. 18 2008–09 Performance Audit <i>The administration of grants under the Australian Political Parties for Democracy Program</i>	3 February 2009	165,000
Audit Report No. 19 2008–09 Performance Audit <i>CMAX Communications contract for the 2020 Summit</i>	4 February 2009	135,000
Audit Report No. 20 2008–09 Performance Audit <i>Approval of funding for public works</i>	5 February 2009	495,000
Audit Report No. 21 2008–09 Performance Audit <i>The approval of small and medium sized business system projects</i>	10 February 2009	640,000
Audit Report No. 22 2008–09 Performance Audit <i>Centrelink's complaints handling system</i>	17 February 2009	357,000
Audit Report No. 23 2008–09 Performance Audit <i>Management of the Collins-class operations sustainment</i>	25 February 2009	509,000
Audit Report No. 24 2008–09 Performance Audit <i>The administration of contracting arrangements in relation to government advertising to November 2007</i>	5 March 2009	343,600
Audit Report No. 25 2008–09 Performance Audit <i>Green office procurement and sustainable office management</i>	11 March 2009	470,000
Audit Report No. 26 2008–09 Performance Audit <i>Rural and remote health workforce capacity—The contribution made by programs administered by the Department of Health and Ageing</i>	19 March 2009	622,000
Audit Report No. 27 2008–09 Performance Audit <i>Management of the M113 Armoured Personnel Carrier Upgrade Project</i>	27 March 2009	385,000
Audit Report No. 28 2008–09 Performance Audit <i>Quality and integrity of the Department of Veterans' Affairs income support records</i>	22 April 2009	648,600
Audit Report No. 29 2008–09 Performance Audit <i>Delivery of projects on the AusLink National Network</i>	23 April 2009	630,000
Audit Report No. 30 2008–09 Performance Audit <i>Management of the Australian Government's Action Plan to Eradicate Trafficking in Persons</i>	29 April 2009	453,000
Audit Report No. 31 2008–09 Performance Audit <i>Army Reserve Forces</i>	8 May 2009	360,500
Audit Report No. 32 2008–09 Performance Audit <i>Management of the tendering process for the construction of the Joint Operation Headquarters</i>	19 May 2009	470,000
Audit Report No. 33 2008–09 Performance Audit <i>Administration of the Petroleum Resource Rent Tax</i>	20 May 2009	220,000
Audit Report No. 34 2008–09 Performance Audit <i>The Australian Taxation Office's management of serious non-compliance</i>	20 May 2009	330,000

Report title	Date tabled	Cost (\$) <sup>a</sup>
Audit Report No. 35 2008–09 Performance Audit <i>Management of the Movement Alert List</i>	21 May 2009	420,000
Audit Report No. 36 2008–09 Performance Audit <i>Settlement Grants Program</i>	21 May 2009	385,000
Audit Report No. 37 2008–09 Performance Audit <i>Online availability of government entities' documents tabled in the Australian Parliament</i>	25 May 2009	344,000
Audit Report No. 38 2008–09 Performance Audit <i>Administration of the buyback component of the Securing our Fishing Future structural adjustment package</i>	27 May 2009	325,000
Audit Report No. 39 2008–09 Performance Audit <i>Administration of the Securing our Fishing Future structural adjustment package assistance programs</i>	27 May 2009	325,000
Audit Report No. 40 2008–09 Performance Audit <i>Planning and allocating aged care places and capital grants</i>	2 June 2009	430,000
Audit Report No. 41 2008–09 Performance Audit <i>The Super Seasprite</i>	17 June 2009	540,000
Audit Report No. 42 2008–09 Financial Statement <i>Audit Interim phase of the audit of financial statements of general government sector agencies for the year ending 30 June 2009</i>	22 June 2009	277,900
Audit Report No. 43 2008–09 Performance Audit <i>Construction of the Christmas Island Immigration Detention Centre</i>	23 June 2009	640,000
Audit Report No. 44 2008–09 Performance Audit <i>Security risk management</i>	23 June 2009	430,000
Audit Report No. 45 2008–09 Performance Audit <i>Funding for non-government schools</i>	24 June 2009	345,000
Audit Report No. 46 2008–09 Performance Audit <i>Business continuity management and emergency management in Centrelink</i>	25 June 2009	210,900
Audit Report No. 47 2008–09 Performance Audit <i>Management of domestic fishing compliance</i>	25 June 2009	560,000
Audit Report No. 48 2008–09 Performance Audit <i>Planning and approval of Defence major capital equipment projects</i>	30 Jun 2009	650,000

a These are final figures rounded to the nearest \$100.

## Appendix 4: Summary of performance audit reports tabled in 2008–09

This appendix summarises the main issues raised in performance audit reports tabled during 2008–09 (including business support process audits and protective security audits). The summaries are grouped according to following portfolios:

- Agriculture, Fisheries and Forestry portfolio
- Attorney-General's portfolio
- Australian Taxation Office
- Broadband, Communications and the Digital Economy
- Centrelink
- Defence portfolio
- Veterans' Affairs
- Education, Employment and Workplace Relations portfolio
- Finance and Deregulation portfolio
- Foreign Affairs and Trade portfolio
- Health and Ageing portfolio
- Immigration and Citizenship portfolio
- Infrastructure, Transport, Regional Development and Local Government portfolio
- Innovation, Industry, Science and Research portfolio
- Prime Minister and Cabinet portfolio
- Resources, Energy and Tourism portfolio
- Cross-portfolio performance audits.

### Agriculture, Fisheries and Forestry portfolio

#### *Audit Report No. 38 2008–09 Administration of the buyback component of the Securing our Fishing Future structural adjustment package*

This audit examined the buyback of fishing concessions undertaken as part of the Securing our Fishing Future structural adjustment package. The audit concluded that the Department of Agriculture, Fisheries and Forestry (DAFF) had successfully completed the buyback and exceeded the reduction targets established for three of the four target fisheries. The target was not achieved in the Bass Strait Central Zone Scallop Fishery, primarily because the prices being asked for the concessions being offered in this fishery were considerably more than the department was prepared to pay.

Given the complexity of the evaluation process and the large number of tenders involved, the use of an algorithm to evaluate tenders was an innovative and practical approach. However, the evaluation process would have been strengthened and greater assurance given for the outcomes if key risks had been better managed. The key risks for the buyback

program were the lack of quality assurance processes, the transparency of the evaluation process and the management of stakeholders' expectations.

It is too early to determine the extent to which the buyback program has affected the sustainability of fish stocks and the profitability of the fishing industry. The full effect of the buyback program will also be influenced by the effectiveness of the management measures being instituted by the Australian Fisheries Management Authority. DAFF has engaged the Australian Bureau of Agricultural and Resource Economics to assess the impact of the buyback program. The bureau is examining survey data, and its first report will be released in July 2009.

#### **Audit Report No. 39 2008–09 *Administration of the Securing our Fishing Future structural adjustment package assistance programs***

This audit examined the effectiveness of DAFF's implementation and administration of the Securing our Fishing Future structural adjustment package's industry and community assistance programs. The audit concluded that DAFF had effectively established the three assistance programs and gave potential applicants the opportunity and information necessary to apply for assistance.

DAFF developed appropriate program guidelines and a sound framework to assess and approve the 358 applications received for the three programs. In practice, the department's documented processes and procedures were not followed during the assessment process and when recommending 144 applications to the decision makers. Arrangements are in place to effectively manage payments and to report against the requirements in the funding deeds. Compliance strategies are also being developed for the programs. Greater emphasis needs to be given to supervision, quality assurance and the management reporting of these grant assistance programs. There would be benefits to the department in gaining assurance that its programs are being properly administered through, for example, its internal audit program.

#### **Audit Report No. 47 2008–09 *Management of domestic fishing compliance***

This audit examined whether the Australian Fisheries Management Authority (AFMA) is effectively undertaking its regulatory compliance responsibilities in respect of domestic fishing in Commonwealth fisheries. The report concluded that AFMA effectively manages fishing concessions that limit access to the fisheries and control the methods through which fishers can take fish. Its quota management arrangements also limit the type and quantity of fish that may be taken, protecting the integrity of each species' allowable catch. However, AFMA is not undertaking its domestic fishing compliance as effectively as it could.

AFMA has a sound process for annually assessing domestic compliance risks, but its underdeveloped intelligence capability has not facilitated regular risk reviews or the targeting of compliance activities. Furthermore, AFMA's enforcement approaches have not always achieved the desired compliance outcomes because of the limited range of enforcement responses adopted and their inconsistent application.

While AFMA has implemented a new centralised approach to compliance monitoring that will give it greater control, the new approach also creates risks. These risks have to be monitored and managed so that they remain within acceptable tolerances. The success of the new approach also requires an overall integrated compliance strategy.

## Attorney-General's portfolio

### Audit Report No. 6 2008–09 *Illegal, unreported and unregulated fishing in the Southern Ocean*

The objective of this audit was to assess whether the Australian Customs Service has implemented effective measures to control illegal, unreported and unregulated (IUU) fishing in the Southern Ocean through the Southern Ocean Maritime Patrol and Response program. The ANAO concluded that, overall, Customs has successfully implemented such measures.

To implement the program, Customs procured and now operates a vessel capable of patrolling harsh sub-Antarctic waters. Customs has consistently exceeded its target of at least 200 sea-days patrolling each year, and has performed that work within its budget. Since the program began, one IUU vessel has been sighted and apprehended in Australia's Southern Ocean Exclusive Economic Zone, indicating that one of the original desired outcomes of the program—to protect Australia's Patagonian toothfish fishery from IUU fishing—is being achieved. However, it is difficult to determine from existing information the extent to which those measures have contributed to the decline in observed IUU activity.

It is important that Customs continues to update its assessment of the threat of IUU fishing. To enable Customs to provide assurance and to support policy decisions about the future shape of the Southern Ocean Maritime Patrol and Response program, it should:

- develop an approach which provides an assessment of the program's performance and the extent to which the program's activities contribute to the intended outcomes
- develop a strategic plan for Southern Ocean patrolling, identifying patrolling options for government after the conclusion of the program on 30 June 2010.

### Audit Report No. 8 2008–09 *National Marine Unit*

This audit assessed the extent to which the Australian Customs Service has implemented seven of the ANAO's recommendations in Audit Report No. 37 2003–04, *National Marine Unit*. The audit concluded that Customs had made substantial progress in implementing the recommendations.

Implementation of the recommendations has improved the administrative effectiveness of the National Marine Unit's management of marine crew, specifically in the development of an interim rostering system and management of training resources. Furthermore, it enhanced quality assurance for maintenance contractors, and encouraged the development of an asset management framework for replacing Australian Customs vessels. The previous audit's recommendations relating to the analysis and evaluation of staffing data, maintenance of marine crew qualifications and financial management have been partly implemented. New systems being put in place should enable Customs to complete the implementation of these recommendations.

### **Audit Report No. 30 2008–09 *Management of the Australian Government's Action Plan to Eradicate Trafficking in Persons***

The audit objective was to assess arrangements for overseeing the action plan and whether the new anti-trafficking measures have been administered effectively. The ANAO examined the whole-of-government arrangements to monitor achievement of outcomes, and whether the new measures have been effectively managed, monitored and assessed.

The ANAO concluded that whole-of-government oversight is broadly effective in sharing information and making decisions. Overall, the action plan has provided a focus for the agencies concerned. However, performance information, including a baseline to monitor the achievement of outcomes, has not been established. Each agency has implemented its respective measures, although management effectiveness varies.

## **Australian Taxation Office**

### **Audit Report No. 16 2008–09 *The Australian Taxation Office's administration of business continuity management***

The ANAO assessed the adequacy and effectiveness of business continuity management practices and procedures within the Australian Taxation Office for preparing for, or responding to, disruptions to business-as-usual operations.

The report concluded that the Tax Office has a well-developed business continuity management framework which is integrated into its business-as-usual operations. The office has appropriate mechanisms to test and evaluate its administration of business continuity, enabling it to continuously reassess the effectiveness of its policies and procedures. However, there is scope for the Tax Office to better integrate the administration of the component elements of its business continuity management framework into a single program of work, and to enhance the functioning of its emergency management within the framework.

### **Audit Report No. 33 2008–09 *Administration of the Petroleum Resource Rent Tax***

The audit assessed the effectiveness of the Tax Office's administration of the Petroleum Resource Rent Tax (PRRT). The ANAO identified four key areas for review: general administration, compliance activities, promoting certainty to taxpayers in applying the PRRT, and governance arrangements.

The Tax Office administered the PRRT in a generally effective manner, which supported voluntary compliance by taxpayers. Compliance activities were being undertaken according to the Tax Office's risk-based strategy following a recent increase in coverage, general administration of the PRRT was sound, and governance arrangements were suitable. Most petroleum industry stakeholders were satisfied with those elements of administration but expressed major concerns about the time taken by the Tax Office in deliberating on a number of PRRT technical issues, which were still to be resolved. To provide taxpayers with greater certainty in applying the Petroleum Resource Rent Tax Assessment Act 1987, it is important that the Tax Office continue to build on recent increases in the provision of guidance and advice, and allocate adequate technical support resources to the PRRT.



### **Audit Report No. 34 2008–09 *The Australian Taxation Office's management of serious non-compliance***

This audit assessed the administration effectiveness of the Tax Office's strategies to address the risks of serious non-compliance. The report identified four key areas for review: data collection and case management, governance arrangements, compliance, and public relations strategies.

The audit concluded that the Tax Office had developed a number of strategies to address the risks of serious non-compliance. Those strategies, and processes associated with them, had assisted in delivering many prosecutions and successful audit outcomes during 2007–08. There is, however, scope for improvement. To better manage the risks of serious non-compliance, it is important that the Tax Office increases deterrent activities based on sound research and analysis, centrally records all fraud referrals to support intelligence-led case selection, clearly links case selection to national strategic priorities, and increases management oversight of cases.

## **Broadband, Communications and the Digital Economy**

### **Audit Report No. 3 2008–09 *Establishment and management of the Communications Fund***

This audit examined the effectiveness of the administration and management of the Communications Fund. It included an assessment of the development and implementation of appropriate investment strategies, and of the robustness of governance structures and controls relating to investment activities.

The legislation to establish the perpetual \$2 billion Communications Fund was developed in a compressed three-week timeframe. After the legislation was passed, a working group consisting of officials from the then Department of Communications, Information Technology and the Arts, the Treasury, and the Department of Finance and Deregulation was established to develop the longer-term investment strategy and governance arrangements for the fund. The three agencies represented on the working group each advised ANAO that a key consideration was the then Minister for Communications, Information Technology and the Arts' public statement that the fund would earn, from day one, a rate not less than the cash rate. As a result, the working group pursued an investment strategy comprising conservative and low-risk assets, rather than examining the possible investment returns that could be achieved by investing in the full range of assets permitted by the legislation.

The Australian Office of Financial Management was appointed to manage the investments of the fund. Through the Investment Authorisation and the Investment Guidelines, the fund has been restricted to investing in a portfolio of low-risk, highly liquid, fixed interest assets. This approach closely aligns with the approach adopted for entities investing under the government's financial management and accountability framework. The outcome emphasises the importance of agencies having greater regard to the principles that underlie the existing financial framework before proposing significant departures from it.

## Centrelink

### *Audit Report No. 7 2008–09 Centrelink's tip-off system*

Centrelink receives tip-offs from third parties about individuals who they believe are Centrelink customers in receipt of a level of benefit that they may not be entitled to. This audit examined Centrelink's management of tip-offs, particularly its privacy responsibilities and compliance with relevant legislation, and the effectiveness and efficiency of the system in identifying debt and fraud.

The ANAO concluded that Centrelink had in place a documented process for managing tip-offs that was supported by its Tip-off Recording System. Furthermore, Centrelink showed a general awareness of its privacy responsibilities in its guidelines and processes. However, the audit found that Centrelink could improve a combination of processes and guidelines to provide for greater consistency with legislation and whole-of-government principles and could introduce qualitative performance measures to provide balanced assessments of fraud and compliance investigations. Further, the ability of Centrelink and its policy departments to measure the overall effectiveness of the tip-off process is limited by the lack of robust, accurate and meaningful financial and performance information.

### *Audit Report No. 22 2008–09 Centrelink's complaints handling system*

The objective of this audit was to review the effectiveness and efficiency of Centrelink's customer feedback system and the progress Centrelink had made in implementing the recommendations of a previous 2004–05 ANAO audit and the subsequent Joint Committee of Public Accounts and Audit (JCPAA) inquiry.

Centrelink had further developed its customer feedback system for handling complaints, compliments and suggestions since the 2004–05 audit. Its customer feedback system provided for, and demonstrated, the characteristics of better practice, such as accessibility, responsiveness and objectivity. Centrelink had implemented 10 of the 12 2004–05 audit recommendations (it had partly implemented the remaining two) and the three JCPAA recommendations.

While Centrelink had improved its customer feedback system, there were areas of complaints management that could be further developed to improve service delivery and provide Centrelink with a greater understanding of customers' expectations. The ANAO made three recommendations in the audit, aimed at assisting Centrelink to further improve its complaints management system and to fully implement the two partly implemented recommendations from the previous audit.

### *Audit Report No. 46 2008–09 Business continuity management and emergency management in Centrelink*

The objectives of the audit were to assess the current status of business continuity management and emergency management arrangements in Centrelink, identify opportunities for improvement, and review Centrelink's response to the recommendations and suggestions of a previous ANAO audit report.

Centrelink has an established business continuity management and emergency management framework, which it continues to develop and which is supported by operational policies, processes and staff. Centrelink's implementation of the framework generally follows the six steps outlined in the 2000 ANAO Better Practice Guide. In some areas, however, the framework and its implementation lack the maturity (that is, the progress from planning, identifying risks and testing treatments to integration into 'business as usual') that could be reasonably expected of an organisation of Centrelink's size and complexity. Once a clearer and maintainable business continuity management framework has been implemented, Centrelink will need to shift its emphasis towards the testing, training and identification of opportunities for performance improvement.

Centrelink had fully implemented five recommendations and partly implemented five recommendations from the previous audit. The ANAO made five recommendations in this audit aimed at assisting Centrelink to further improve its business continuity management framework and its application, and address the areas not covered in the partial implementation of five recommendations from the previous audit.

## Defence portfolio

### *Audit Report No. 23 2008–09 Management of the Collins-class operations sustainment*

This audit assessed the effectiveness of sustainability arrangements for the Collins-class submarine force and examined six contracts relating to sustainment of the submarines. The Through Life Support Agreement with ASC Pty Ltd is the principal contract involved.

The agreement is cost-plus contract with incentives. It offers long-term commercial stability to ASC, with the Commonwealth assuming a significant proportion of the commercial risk that might otherwise apply to the company. In this context, the Defence Materiel Organisation is generally managing the day-to-day elements of the contract effectively. It is also managing effectively the three main separate contracts with combat system suppliers, although the report noted the need for improvements to inventory management. The Navy is effectively managing the contract for onshore submariner training services.

A number of significant issues have occurred in the management of the submarine escape and rescue services over time, including unapproved works and configuration changes that affected the design integrity of the rescue vehicle, the *Remora*, and the launch and recovery winching system. In December 2006, the *Remora* was lost on the seabed in about 120 metres of water. Defence has been required to put alternative rescue services in place for the period since December 2006.

### *Audit Report No. 27 2008–09 Management of the M113 Armoured Personnel Carrier Upgrade Project*

This audit examined the progress of the M113 Armoured Personnel Carrier Upgrade Project against stated schedule, cost and technical performance objectives, and the Defence Materiel Organisation's progress in implementing the recommendations and addressing the findings of ANAO Audit Report No. 3 2005–06 *Management of the M113 Armoured Personnel Carrier Upgrade Project*.

Defence has taken steps to address issues raised by the previous audit and has acted to redress the perceived underperformance of the prime contractor. To recover from early delays, in October 2007 Defence and the prime contractor, now BAE Systems Australia, renegotiated their contract to accelerate production. In the circumstances, this was a satisfactory outcome. Subsequent production has been slow, and in July 2008 the prime contractor informed Defence of a potential shortfall of around 100 upgraded vehicles by December 2010. Defence is currently working with the prime contractor on measures to improve and expand the M113 production facilities. The ANAO notes that recovering the production schedule will be challenging.

### **Audit Report No. 31 2008–09 *Army Reserve Forces***

The purpose of this audit was to assess the Army's progress in addressing issues previously identified in Defence reviews and ANAO audits as affecting the Army Reserve's capability. The purpose was also to identify the extent that the Army Reserve is capable of contributing to Australian Defence Force capability requirements through fulfilling its assigned roles and tasks.

The audit concluded that in recent years there has been a high operating tempo for the Army, and the Army Reserve has been providing useful capability to the Army for both domestic and overseas operations. The Army Reserve formed the primary component of the deployment to Solomon Islands, Reserve members of Special Operations forces served in a number of overseas deployments, and the Reserve has contributed to domestic security operations. While Defence has made progress in addressing issues identified in previous reviews of the Army Reserve, the Reserve's effectiveness is constrained by a number of factors. These include delays in developing appropriate force structures, barriers to ease of movement between the Regular Army and the Army Reserve, a lack of cost information, and limited or no access to basic Defence electronic communications methods for some Army Reserve depots.

### **Audit Report No. 32 2008–09 *Management of the tendering process for the construction of the Joint Operation Headquarters***

The purpose of this audit was to review the Department of Defence's management of the Headquarters Joint Operations Command Project's tender process, including probity management, for the construction of the joint operation headquarters in order to provide assurance that the policy principles for the use of private financing had been followed.

The audit concluded that, overall, the ANAO considered that Defence's management of the major elements of the project's tender process followed the policy principles for the use of private financing established in 2002. Defence pursued an open approach which informed tenderers of the estimated capital, operating and maintenance costs of delivering the projects' requirements, but did not include cost estimates for the value of those risks that Defence proposed to transfer to the private sector under a private financing arrangement. In addition, Defence established and followed probity management processes commensurate with the project's size and complexity. The project involved a costly two-year tender process for Defence and the tenderers, which resulted in a slim final margin of \$0.94 million between the estimated net present cost of the risk-adjusted project cost benchmark and the prime contractor's tender response that formed the basis of the facility's 30-year contract.

### **Audit Report No. 41 2008–09 *The Super Seasprite***

This audit sought to identify the factors that contributed to the ongoing poor performance of the Super Seasprite project, which was cancelled in 2008, and to outline measures taken by the Defence Department and the Defence Materiel Organisation in seeking to overcome problems with the project.

The report examined decisions taken at key points in the life of the project to acquire the Super Seasprites. This analysis revealed that decision making occurred in an environment of significant tension between the objective of providing the Navy with the required capability, the fundamental obligation to meet Australian Defence Force airworthiness requirements, and the inherent difficulties in managing a complex aircraft acquisition and associated sustainment arrangements. Those tensions needed to be managed and resolved for the project to succeed, but they were not. A range of factors contributed to the unsatisfactory project outcome. The audit also noted that the total cost of a failed project can significantly exceed the direct acquisition costs.

The audit concluded that the overriding message from this project was that risks to project outcomes need to be better managed and that accountability for managing project performance needs to be strengthened. The audit made seven recommendations and presented nine lessons on the issue and renewal of airworthiness instruments, project and contract management, which were developed in consultation with the Department of Defence.

### **Audit Report No. 48 2008–09 *Planning and approval of Defence major capital equipment projects***

In September 2003, the then government accepted the Defence Procurement Review's recommendation that the two-pass approval system for major capital equipment acquisitions be strengthened. In future, government consideration of projects was to be based on 'comprehensive analyses' of technology, cost and schedule risks, subjected to external verification. This audit assessed whether this strengthened process is being implemented effectively in the Department of Defence.

The audit reviewed project documentation and Cabinet submissions for a sample of 20 projects, and concluded that Defence has established an appropriate administrative framework for implementing the two-pass approval process, provided the framework is adhered to and underpinned by adequate and appropriate resourcing, support and training for relevant staff.

However, Defence was unable to demonstrate, by providing access to key project documents, that the procedures associated with this framework were consistently followed in the case study projects, or that appropriate alternative procedures were authorised and followed. Examination of Cabinet submissions for these projects also revealed a significant level of non-adherence to Cabinet requirements, most importantly those associated with the assessment and description of technical risk and the presentation of costs.

The ANAO made four recommendations, addressing records management, the involvement of the Department of Finance and Deregulation in the development of cost estimates, the presentation of those estimates to government, and the assessment and description to government of technical risk.

## Veterans' Affairs

### *Audit Report No. 28 2008–09 Quality and integrity of the Department of Veterans' Affairs income support records*

The objective of this audit was to examine the quality and integrity of Department of Veterans' Affairs (DVA) income support records and to report on the effectiveness of the department's management of the data and how it affects service delivery. The audit included an examination of DVA's management of the data, including the quality of data stored in its client databases, and the claims and payment processes; the accuracy, completeness and reliability of DVA's electronic income support records; the impacts the quality of the data has on service delivery; and related issues of customer support and feedback.

Overall, the ANAO concluded that the poor quality of the data in DVA's electronic databases is affecting the efficiency and reliability of the department's decision making, and its internal and external reporting. In most cases, the audit found that there was sufficient evidence in DVA's multiple systems and the hard-copy customer records examined to support its clients' eligibility for income support benefits. However, the audit identified a number of areas where the department's controls should be strengthened to improve the quality and integrity of its data, including management of the data and data integrity issues; documenting a controls framework and systems-based business rules; implementing standard national records management procedures; evaluating IT controls and assurance measures for income support; and enhancing the quality of stakeholder feedback data.

## Education, Employment and Workplace Relations portfolio

### *Audit Report No. 4 2008–09 The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink*

The audit examined the effectiveness and accountability of the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink in delivering working-age employment services under the 2006–09 Business Partnership Agreement. It assessed governance and cross-agency coordination, monitoring of performance, and key administrative processes intended to assist DEEWR and Centrelink in successful program administration and service delivery.

The audit concluded that DEEWR and Centrelink had a workable business partnership agreement in place, although several areas of administration needed to be strengthened to improve the effectiveness of the business partnership, particularly in progressing key aspects of work. The development of a cohesive business assurance framework, a consolidated program of management information, and completion of a suite of key performance indicators was needed to provide a sounder basis for both agencies to measure performance and improve transparency and accountability in key aspects of their delivery of working-age policy and services. There was also a need to strengthen financial management under the Business Partnership Agreement, particularly in monitoring new policy deliverables, and to clarify agency roles and administrative and policy requirements by keeping the agreement complete and up to date.

### **Audit Report No. 11 2008–09 *Disability Employment Services***

This audit considered the roles of the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and the Department of Education, Employment and Workplace Relations (DEEWR) in planning, implementing, managing and reporting on disability employment services introduced under the third Commonwealth State/Territory Disability Agreement (CSTDA), covering the period from July 2002 to December 2008. Disability employment services include business services providers, funded through FaHCSIA, which employ people with disabilities on an ongoing basis, and the Disability Employment Network, funded by DEEWR, which assists people with disabilities seeking employment in the open employment market.

The third CSTDA was characterised by many fundamental changes to the Disability Employment Services delivery model. FaHCSIA and DEEWR have responded to the changing environment and effectively planned, managed and implemented policy initiatives in the disability employment sector. Nonetheless, there remain issues that need to be addressed, arising from the complexity of the funding model and balancing accountability and administrative workloads on service providers.

The ANAO considered that the reporting requirements under the CSTDA had not been fully met, as the reporting of the performance data is fragmented, is significantly delayed in its public release and does not fully address the requirements set out in the CSTDA.

### **Audit Report No. 17 2008–09 *Administration of Job Network outcome payments***

The objective of this audit was to assess the effectiveness of DEEWR's administration of Job Network outcome payments. Overall, the ANAO concluded that the controls used by DEEWR to administer the payments were effective. Those controls included the functionality of DEEWR's IT system EA3000; data from Centrelink based on the information that job seekers provide in their fortnightly application for payment forms; Job Network members' certification that they had the evidence to substantiate their outcome claims, and the department's contract monitoring activities to oversight contractual compliance by Job Network members.

The audit found that DEEWR could provide clearer Job Network performance information to external stakeholders. This could be achieved through publishing sufficiently disaggregated and appropriately disclosed Job Network financial and performance information in the department's Portfolio Budget Statements and annual reports.

### **Audit Report No. 45 2008–09 *Funding for non-government schools***

This audit assessed the effectiveness of the Department of Education, Employment and Workplace Relations' administration of general recurrent grants for non-government schools. These grants are distributed under the socioeconomic status funding arrangements, which calculate schools' funding based on need using the socioeconomic status funding formula.

The report found that the department effectively administers general recurrent grants by managing the accuracy of data used for calculating the grants, and by properly approving, paying and acquitting the grants. However, the department can improve its administration of the grants by strengthening its program controls and quality assurance checks, which are designed to manage the risk of errors when executing agreements; making better use of the available data to detect overpayments, including fraud; and monitoring and reporting on the socioeconomic status funding arrangements.

In 1999, the then minister affirmed that ‘the Commonwealth expects that within systems, recurrent funds will be distributed differentially according to need’. However, the department did not have information on the funding formulas that non-government school systems use to distribute funds to their affiliated schools, including information on whether and how those formulas account for need.

Furthermore, the audit found that the department can also improve its annual reporting of the program by including information on general recurrent grants paid to the non-government schools sector, the performance targets that were set for administering the \$5.8 billion in grants, and the results achieved against those targets.

## Finance and Deregulation portfolio

### *Audit Report No. 18 2008–09 The administration of grants under the Australian Political Parties for Democracy Program*

The Australian Political Parties for Democracy Program was established by the previous government in October 2005 and open to the two major political parties. The audit examined the effectiveness of the Department of Finance and Deregulation’s administration of the program and program accountability arrangements.

The decision to establish the Australian Political Parties for Democracy Program was made without the previous government being informed by departmental analysis of the need for the program. Following the decision to establish the program, Finance developed the administrative framework for the program in consultation with relevant agencies and through negotiation with the two political parties. The result has been that, collectively, the program guidelines, application form and grant deeds provide a sound basis for a framework to support cost-effective administration.

In the light of the nature of the program and experience with its administration to date, there are opportunities for Finance to strengthen the administrative arrangements by:

- more closely linking the projects identified in the funding applications and those reflected in the grant deed to promote the use of program funds consistent with the program objective
- paying greater attention to requiring the parties to adhere to the established acquittal arrangements (bearing in mind that payments are made to the parties before program activities are undertaken)
- developing a performance measurement framework and public reporting of the extent to which the program is meeting its objective of ‘strengthening democracy internationally’.

### *Audit Report No. 43 2008–09 Construction of the Christmas Island Immigration Detention Centre*

This audit assessed the adequacy of the planning and delivery processes for the Christmas Island Immigration Detention Centre project; the value-for-money achieved in the delivery of the project, including the suitability of the centre for its intended purpose; and the extent to which the *Public Works Committee Act 1969* and approved procedures had been complied with.



The Christmas Island facility has been accepted by the Department of Immigration and Citizenship as fit for its purpose and is now operational. However, this result has come at a considerably greater cost than budgeted for when the project was respecified, and took substantially longer than had been expected. At the time the respecified budget was approved, the design brief had not been finalised, a concept design had not yet been prepared and the revised budget included very little in the way of a contingency allowance for risk. The audit also found that the Department of Finance and Deregulation's chosen project delivery strategy was sound but was not followed. The departures from the planned approach contributed to the project delays and increased costs to the Australian Government.

## Foreign Affairs and Trade portfolio

### *Audit Report No. 1 2008–09 Employment and management of locally engaged staff*

This audit assessed how effectively the Department of Foreign Affairs and Trade (DFAT) employs and manages its locally engaged staff at Australia's overseas missions. The report concluded that, overall, DFAT's performance in this area is effective. DFAT undertook a major review of the management of locally engaged staff in 2000, which resulted in fundamental changes to improve management. DFAT also provides helpful policy and administrative guidance to posts on locally engaged staff; posts are focused on developing and training those staff; post conditions of service are adequately documented and salaries regularly reviewed; recruitment and selection processes are generally sound; and performance management systems are in place.

Notwithstanding the overall conclusion, the ANAO identified a number of improvements that would strengthen the employment and management of locally engaged staff, including strengthening review and oversight arrangements; developing standard training material; facilitating a more consistent approach by posts to health checks for locally engaged staff; and monitoring outcomes from staff performance appraisal rounds.

## Health and Ageing portfolio

### *Audit Report No. 12 2008–09 Active After-school Communities Program*

The ANAO examined the Australian Sports Commission's (ASC) implementation and ongoing management of the Active After-school Communities Program, which is designed to help address the declining physical activity levels among children. ANAO analysis confirmed that the ASC successfully implemented the program Australia-wide within a very short time.

Although the management framework was reasonably effective, governance arrangements supporting the program could have been strengthened, including the documentation of key decisions. As the program's objectives were not set in the government's decision to introduce the program, the Australian Sports Commission wrote them. The objectives were later revised to accommodate an evaluation of the program. It would have been prudent to have sought formal approval of the program's objectives from the then minister to ensure alignment between the government's expectations and the ASC's plans for delivery of the program.

The ASC introduced quality standards to ensure that the program was delivered according to its philosophy and that deliverers were appropriately trained. However, a number of exemptions to these two quality controls were granted to probationary deliverers. These exemptions risked undermining the standards and philosophy that underpinned the program. The ASC is undertaking an evaluation of the program. The audit highlighted a number of issues relating to the evaluation methodology and reporting of the evaluation results. The ASC advised that all relevant caveats and interpretation notes were to be included in the final evaluation report.

### **Audit Report No. 26 2008–09 *Rural and remote health workforce capacity—The contribution made by programs administered by the Department of Health and Ageing***

The objective of this audit was to assess the effectiveness of the Department of Health and Ageing's (DoHA's) administration of health workforce initiatives in rural and remote Australia. The report examined DoHA's strategies to maximise its contributions to the Australian Government's specified health workforce capacity outcome; whether the government's programs addressing health workforce shortages in rural and remote Australia were implemented effectively; and whether DoHA monitored and evaluated its health workforce programs in rural and remote Australia.

Overall, the ANAO concluded that, while DoHA had put in place structural arrangements to administer its direct program delivery responsibilities, the department had not yet developed a cohesive approach to inform its strategies and to report on its contribution to health workforce outcomes in rural and remote areas. The department's ability to set organisational strategies to achieve the planned outcome (that Australians have access to an enhanced health workforce in rural and remote areas) was hindered by:

- limited monitoring of key risks identified by DoHA, particularly the insufficient supply of adequately trained personnel to work in the health sector
- DoHA's lack of a performance information strategy to inform government and the parliament about the quality of the health workforce and its distribution across rural and remote Australia, and the level of access to health services by Australian citizens in rural and remote areas
- the use of old and unsuitable census data and geographical classification systems as the basis for providing incentives to health professionals to work in rural and remote areas.

### **Audit Report No. 40 2008–09 *Planning and allocating aged care places and capital grants***

The audit assessed the effectiveness of DoHA's management of the planning and allocation of aged care places and capital grants in accordance with the Aged Care Act 1997.

Overall, the ANAO concluded that DoHA adopted an appropriate approach to its planning, implementation and reporting against government targets. It had effectively managed the planning and allocation of aged care places and capital grants, in accordance with the Aged Care Act. However, two high-level processes could be augmented to strengthen aged care planning and the transparency of DoHA's provision of places to Indigenous Australians, and more generally to improve the equity of access to aged care for older Australians:

- DoHA could advise the Minister for Ageing on options for incorporating the Indigenous aged 50–69 population numbers into the planning ratio target
- DoHA could assess alternatives to the way it applies the government's national aged care planning ratio across states and territories, so as to better take account of demographic differences between jurisdictions.

DoHA could also strengthen arrangements to track the costs of key components of the Aged Care Approvals Round (the competitive, tender-like process it uses to allocate aged care places across Australia), given the increasing scale and complexity of the approvals round over time.

## Immigration and Citizenship portfolio

### *Audit Report No. 35 2008–09 Management of the Movement Alert List*

The Movement Alert List (MAL) is a computer database that the Department of Immigration and Citizenship (DIAC) uses to protect the country from those who might pose a threat. MAL is used to inform decisions about visa and citizenship grants and the admission of non-citizens to Australia. The objective of this audit was to assess the effectiveness of DIAC's management of MAL.

MAL had previously been subject to five major reviews over the past decade. All the reviews stressed the importance of its consisting of sound data. However, the completeness, quality and currency of MAL data has proved an enduring problem for DIAC. Despite efforts to improve MAL data, its overall quality has been declining in recent years. The challenge faced by the department in implementing an effective accountability regime to assure the quality of records over time has contributed to this decline.

Furthermore, at an operational processing level, gaps have occurred in the arrangements designed to provide DIAC with assurance that all elements of MAL are working as intended. Given the centrality of the system to border protection, this aspect of the department's operations needs to be upgraded so that attention is drawn promptly to any substantial element that is not operating properly.

DIAC has successfully managed the implementation of CMAL, the new version of MAL. This addresses certain substantial risks identified by the last major review of MAL (the Wheen Review, 2004). CMAL has improved management control over DIAC's MAL operations and provides a basis for the department to enhance its quality assurance of MAL data and of the operation of the system as a whole.

### *Audit Report No. 36 2008–09 Settlement Grants Program*

This audit examined the effectiveness of the Department of Immigration and Citizenship's (DIAC's) management of the Settlement Grants Program. The audit concluded that, overall, DIAC had developed an effective framework for managing the program. DIAC had implemented the program in a manner that was consistent with government policy and its strategic objective, and had clearly defined the program's parameters. It established a strategic risk management framework focused on managing risks at a whole-of-program level, but focused less on risks to performance at an operational level. In addition, DIAC had developed sound procedures to promote funding rounds, to assist applicants to apply for program grants, to assess applications and allocate grants, and to monitor individual grant recipients' compliance with funding agreement conditions.

However, DIAC had not developed or implemented effective performance indicators and a performance management framework that would assist it to measure, monitor and assess the performance of individual projects and the program as a whole. Furthermore, the department did not provide meaningful information about settlement needs to potential applicants, which would assist them to better target settlement needs. Also, the current grants management system did not support the effective administration of the program. In some areas, DIAC had not effectively implemented its procedures for assessing grant applications and monitoring grant progress reporting. DIAC poorly documented the basis of funding recommendations, including actions taken in response to discussions with the parliamentary secretary.

## **Infrastructure, Transport, Regional Development and Local Government portfolio**

### ***Audit Report No. 29 2008–09 Delivery of projects on the AusLink National Network***

This audit assessed the effectiveness of the administration of the delivery of projects on the AusLink National Network by the Department of Infrastructure, Transport, Regional Development and Local Government, in working with the states to deliver the outcomes expected by the government and the broader community.

The report concluded that most of the AusLink 1 projects examined in the audit sample had been or are being delivered. However, the delivery cost of most of the projects is greater than was expected when Australian Government funding was approved, sometimes significantly. There had also been significant delays in the delivery of some major projects.

At present, the documented project assessment and approval processes for AusLink National Network projects are premised on projects being considered for funding on a phased basis. However, it has become common for funding commitments for major roads projects to be made in the context of federal election campaigns. Many of the election commitment projects announced in both the 2004 and 2007 campaigns were at an early stage of development, so robust project proposals had not been developed. This problem was compounded when the aggregate cost of the project announcements made by the Coalition and the Australian Labor Party exceeded the amount of available AusLink 2 funding.

## **Innovation, Industry, Science and Research portfolio**

### ***Audit Report No. 10 2008–09 Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme***

This audit examined whether the Textile, Clothing and Footwear Post-2005 (SIP) Scheme is being administered effectively by the Department of Innovation, Industry, Science and Research. The statutory objective of the scheme is the development of a sustainable and internationally competitive textile, clothing and footwear industry in Australia.

Overall, the department is administering the scheme effectively. There are sound processes and controls in place to assess the eligibility of entities to receive assistance and for calculating and paying grants within the funding limits of the scheme. The department's approach to program management is responsive to the experience it has gained in administering this and other large industry-assistance programs. Introducing self-assessment for selected entities will provide opportunities for the department to better target its program of site visits, as part of its claim assessment process. However, more broadly, the department is not in a position to assess, by reference to key performance indicators, whether the statutory objective of the scheme is being met.

### **Audit Report No. 15 2008–09 *The Australian Institute of Marine Science's management of its Co-investment Research Program***

The audit assessed the Australian Institute of Marine Science's (AIMS's) administration of its co-investment research program. This included an examination of the institute's policies and guidelines for approving research; project management systems and structures; and reporting against research objectives.

Overall, the ANAO concluded that AIMS's administration of the program is effective. AIMS uses a range of sound project management techniques to manage its co-investment research projects, including the implementation of project approval processes, project plans, financial controls, and clear monitoring and reporting arrangements. However, there are areas for improvement. These include project risk assessments and clearer documentation of the reasons for project approval.

## **Prime Minister and Cabinet portfolio**

### **Audit Report No. 19 2008–09 *CMAX Communications contract for the 2020 Summit***

This audit examined whether the appointment of CMAX Communications Pty Ltd as a provider of communications support and advice for the 2020 Summit was consistent with the Commonwealth procurement framework and sound principles of public administration, and assessed the effectiveness of the administration of the CMAX Communications contract by the Department of the Prime Minister and Cabinet (PM&C).

The ANAO concluded that, overall, while there was scope for some improvements in PM&C's administration of the engagement process, there was no evidence of any external pressure being applied to PM&C in making the decision to engage CMAX Communications, or that the fee payable to CMAX Communications was not reasonable in the circumstances of the engagement. In accordance with its contract, CMAX Communications worked to raise awareness of the 2020 Summit and its objectives, and to encourage and manage media coverage of the summit in the lead-up to and during the event.

However, the report observed a number of shortcomings in PM&C's contract management. In particular, the contract document did not specify the name of the individual who was to deliver the contract services. Also, the total amount paid to CMAX Communications exceeded the maximum amount specified in the contract, and there is no evidence that this issue was identified by PM&C before the payment was made.

## Resources, Energy and Tourism portfolio

### Audit Report No. 2 2008–09 *Tourism Australia*

This audit assessed the effectiveness of Tourism Australia's governance arrangements, the management of its marketing contracts, and whether its planned outcomes are being achieved.

Tourism Australia operates globally in a competitive environment, delivering most of its marketing activities through three major contracts. Although its policies and guidelines provide a sound framework for undertaking complex procurements and managing its contracts, Tourism Australia did not follow them when procuring its global creative development and media placement services. In addition, the subsequent contracts do not include performance information to enable the evaluation of the effectiveness of the services provided. However, Tourism Australia has demonstrated lessons learned from these procurements and contracts.

Industry stakeholders consider that the perceived conflicts of interest of Tourism Australia board members are a major risk to Tourism Australia's reputation. The board did not adhere to its charter for managing potential conflicts of interest and rather than changing procedures to meet the charter requirements, revised the charter to reflect their practices.

Tourism Australia has found reporting against its legislative requirements difficult, as there is no clear alignment between its statutory objectives, the performance framework in its corporate plan, and the outcome and outputs in the Portfolio Budget Statements. Also, the indicators used to measure Tourism Australia's performance are primarily for the industry as a whole, rather than specific to the agency.

## Cross-portfolio performance audits

### Audit Report No. 5 2008–09 *The Senate Order for departmental and agency contracts (calendar year 2007 compliance)*

This report outlines the results of the ANAO's tenth audit of agencies' compliance with the reporting requirements of the Senate Order. Specifically, the Senate Order requires agencies to place lists of contracts valued at \$100,000 or more on the internet. Among other things, the lists must indicate whether each contract requires the parties to maintain the confidentiality of any of the contract's provisions.

The audit found that the proportion of contracts reported as containing confidentiality provisions protecting information in the contracts has decreased significantly over the period that the Senate Order has been in operation. This trend reflects the impact of the Senate Order in reducing the use of confidentiality provisions in contracts. Despite this positive trend, there remain some significant issues that are affecting the accuracy of agencies' reporting of contractual information. In particular, the audit found that there continue to be errors in decisions to include confidentiality provisions in contracts. Incorrectly including such provisions can potentially undermine the purpose of the Senate Order by preventing or reducing access to such information. Therefore, the ANAO made one recommendation designed to improve agencies' decision making on the use of confidentiality provisions and to achieve greater consistency in the application of the Department of Finance and Deregulation's guidance.

### **Audit Report No. 13 2008–09** *Government agencies' management of their websites*

This audit assessed how well agencies managed their websites. The audit paid particular attention to the three audited agencies' websites' purposes; risk management and planning; policies; content management procedures; and performance monitoring and reporting. Overall, the ANAO concluded that, for the websites examined, management processes and practices adequately supported the delivery of information and services via the websites. However, given the increasing emphasis on the use of websites for service delivery, the audit identified scope to improve the three audited agencies' website management.

Survey data identified considerable diversity in the number, size and type of websites and underscored the need to tailor website management while taking risks into consideration. The level of supporting risk management documentation could be improved, given each website's risk profile. In addition, periodic review and treatment of risks, particularly where the website has undergone significant change, will reduce the likelihood of new or emerging weaknesses or threats and their consequences for the achievement of program outcomes. This is particularly important for websites that are integral to service delivery.

All of the audited agencies monitored website user activity and satisfaction. However, none reported specifically on how its websites were meeting its purposes and how they were contributing to its business goals.

### **Audit Report No. 20 2008–09** *Approval of funding for public works*

The objective of this audit was to assess the planning and delivery of capital works projects by proponent agencies; the extent to which projects have delivered what was intended; and the extent to which proponent agencies have complied with the requirements of the Public Works Committee Act 1969 and approved procedures.

Australian Government public works and property functions take place in a largely devolved environment, in which individual agencies manage their own property requirements and the delivery of public works projects. Overall, the audit demonstrated that greater discipline is required on the part of agencies to ensure that the Public Works Committee's requirements are met, and that the committee is kept appropriately informed about significant changes to projects after it has presented its report to the parliament. A key question is how to balance the expected benefits from the devolved approach with central agencies' stronger role in promoting greater consistency in project planning, budgeting and delivery by proponent agencies.

### **Audit Report No. 21 2008–09** *The approval of small and medium sized business system projects*

The objective of this audit was to assess whether three selected agencies effectively managed the initial planning and approval of small and medium sized business system projects. Projects of this size often support targeted government initiatives and improvements to internal efficiency that tend not to be subject to the same level of review as larger projects.

Overall, the three agencies were in most cases adequately planning and approving the information and communications technology component of business system projects. However, there was scope for better planning and definition of the business component of projects and for better quality assurance of proposals. In addition, improving the clarity of project approval decisions, particularly in setting out the planned business benefits, would increase the focus on achieving business benefits during implementation and subsequent operation.

#### **Audit Report No. 24 2008–09** *The administration of contracting arrangements in relation to government advertising to November 2007*

This audit examined the effectiveness of the procurement and contracting associated with the design, development and delivery of government advertising campaigns by departments, including the Department of Prime Minister and Cabinet's (PM&C's) role in relation to the development and delivery of advertising campaigns and the administration of the Central Advertising System (CAS). The audit also examined the procurement administration of three completed advertising campaigns conducted by the Attorney-General's Department, the Department of Health and Ageing and the then Department of Employment and Workplace Relations.

Overall, the ANAO concluded that the decision-making framework was not well aligned with the requirements of the financial framework. Responsibility for key decisions was fragmented, and there was a failure by departments to ensure that procurement and contracting decisions were taken in a timely manner and were properly documented. This often resulted in an inability to demonstrate that all of the requirements of the financial framework had been observed. The audit also found that the implementation and administration of the contracts relating to the CAS master media placement firms was poorly managed by PM&C.

Although new governance arrangements were subsequently implemented across government, opportunities for departments to strengthen contract management and related administrative practices were highlighted.

#### **Audit Report No. 25 2008–09** *Green office procurement and sustainable office management*

This audit examined progress by 63 government agencies in achieving better practice in green office procurement and sustainable office management. The report concluded that Australian Government agencies have made some progress towards more sustainable development practices since Audit Report No. 22 2005–06, Cross portfolio audit of green office procurement. There are now more examples of agency initiatives to better conserve resources, improve environmental performance and reduce corporate costs, particularly in energy and water conservation. However, as was the case in 2005, there is a wide disparity of performance across agencies, from very poor to better practice. Measuring performance in waste management and water conservation is still problematic because of the lack of consistency in measurement and gaps in performance information. The absence of a comprehensive sustainability framework, as recommended in 2005, is constraining further progress.



Notwithstanding progress in particular agencies, the Australian Government public sector as a whole has considerable work to do if it is to achieve its goal of being at the forefront of sustainable procurement practice. The audit concluded that more action is required from agencies if they are to demonstrate leadership in energy efficiency, water conservation and waste management. Energy efficiency is particularly important, as energy use accounts for over 95 per cent of greenhouse gas emissions from Australian Government agencies. Estimated savings of some \$75 million could be achieved if agencies were more proactive in introducing energy efficiency measures. The report made seven recommendations to improve performance in agencies.

### **Audit Report No. 37 2008–09** *Online availability of government entities' documents tabled in the Australian Parliament*

This audit was designed to determine the extent to which government entities complied with the requirement to publish and maintain online documents presented to the Australian Parliament. The audit also examined the online publishing policies and procedures in selected entities.

Overall, the numbers and ease of discovery of online tabled papers, as well as their consistency with printed versions, has improved since 2000. Specifically, some 90 per cent of 2008 tabled papers that we examined could be found online. This is a significant improvement since 2000, when we could find only 54 per cent of the tabled papers online. The audit also found that some documents published online are in formats that may be a problem for access by people with disabilities.

Each of the audited entities had sound online publishing practices. In particular, each had a range of informative policy and guidance material to support staff performing online publishing functions, and well-defined processes for publishing documents online. In addition, each of the audited entities had controls in place to assist in managing the validity of their online content.

### **Audit Report No. 44 2008–09** *Security risk management*

This audit examined security risk management programs, including a selection of protective security risk treatment controls in three organisations. The audit concluded that there is a risk that some organisations subject to the *Commonwealth Authorities and Companies Act 1997* (CAC Act) which employ staff under the *Public Service Act 1999* are not aware of legal advice from the Australian Government Solicitor regarding the applicability of the Protective security manual. The legal advice indicated that such organisations are obliged to comply with the manual even if they have not been directed under the CAC Act to do so. There is also a lack of visibility concerning which CAC Act organisations have received a direction from their responsible minister to apply the Protective security manual.

Overall, the audit concluded that two of the three audited organisations had established and implemented effective arrangements for managing security risks. The remaining organisation had not established practices for identifying and managing security risks that were sufficient and appropriate when measured against the principles and guidance provided in the Protective security manual. Each of the three audited organisations had also developed a range of controls designed to reduce their security risks. Those controls were found to be effective, although there were some shortcomings. The results of the audit indicated that there was scope to improve the monitoring of such controls to help ensure that they are operating effectively.

## Appendix 5: Addresses by the Auditor-General and senior staff

### **Paul Nicoll**

*What is performance auditing?*  
Indonesian Ministry of Finance, Jakarta  
30 June 2009

### **Paul Nicoll**

*What is performance auditing?*  
Indonesian Audit Board, Jakarta  
29 June 2009

### **Paul Nicoll**

*Why good processes are important*  
Government Procurement Seminar, Canberra  
12 June 2009

### **Peter McVay and Christina Bagot**

Presentation on Audit Report No. 35, 2008–09,  
*Green office procurement and sustainable office management*  
Public Sector Internal Audit Conference 2009, National Convention Centre, Canberra,  
3 June 2009

### **Matt Cahill**

*Ethical leadership and governance*  
Public Sector Conference, Canberra  
20 May 2009

### **Ian McPhee PSM**

*The future of audit*  
Presentation to the Institute of Chartered Accountants in Australia  
Audit Conference, Melbourne  
1 May 2009

### **Richard Mackey**

*A paradigm shift: e-government, connected governance*  
Presentation to the 10th Annual Fraud Summit, 'Combating and suppressing  
the latest developments in fraud amidst the economic downturn', Sydney.  
24 March 2009

Richard Mackey also chaired the conference.

### **Brandon Jarrett**

*The Certificate of Compliance*  
CPA Australia Public Sector Reform, Canberra  
2 March 2009

**Peter McVay**

Presentation on Audit Report No. 21, 2007–08, *Regional delivery model for the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality*  
International Organization of Supreme Audit Institutions (INTOSAI) Working Group  
on Environmental Auditing Conference, Doha, Qatar

27 January 2009

**Peter McVay**

Audit Report No. 31, 2006–07, *The conservation and protection of national threatened species and ecological communities*  
INTOSAI Working group on Environmental Auditing, Biodiversity  
Training Course, Doha, Qatar

24 January 2009

**Richard Mackey**

*A paradigm shift in Commonwealth data-matching: Findings and recommendations from recent Auditor-General reports*

Presentation to the 4th Annual Identity Fraud Summit 2008, 'Staying ahead of identity fraud: Expert guidance and practical strategies for the public and private sector', Sydney Harbour Marriot, Sydney

4 December 2008

**Tom Clarke**

*External review of biometrics implementation—Approaches and lessons learned from a performance audit in DIAC*

Biometrics Institute Technology Conference and Exhibition, Canberra

27 November 2008

**Bill Bonney**

*Better Practice Guide: 'Developing and managing internal budgets'*

CPA ACT Congress, Canberra

13 November 2008

**Ian McPhee PSM**

*Working with auditors*

Presentation to the Defence Senior Leadership Group—Financial Management Course

24 October 2008

**Steve Chapman**

*Developing an effective corporate governance framework*

CPA Australia Congress, Brisbane

17 October 2008

**Tom Clarke**

*The Audit Office and the parliament*

Centre for Democratic Institutions, ANU, Canberra

17 September 2008

**Ian McPhee PSM***Public sector forum—Public sector governance—Showing the way*

Presented to the Institute of Company Directors and the Institute of Internal Auditors  
Australia, Canberra

4 September 2008

**Matt Cahill***Managing the risky business: Towards better practice risk management*

Keynote address to Comcover 'getting wired' Conference, Canberra

14 August 2008

**Tom Clarke***Parliament and the audit of public accounts*

Centre for Democratic Institutions ANU—Parliamentary Professional  
Development Course, Canberra

12 August 2008

**Tom Clarke***Effective financial security: The role of parliament in public finance*

Centre for Democratic Institutions, ANU—Parliamentary Professional  
Development Course, Canberra

12 August 2008

**Steve Chapman***Auditing in the public interest*

CPA Australia/IAI, Jakarta

24 July 2008

**Steve Chapman***Performance auditing in the Government of Australia*

CPA Australia Public Sector Forum, Singapore

21 July 2008

**Ian McPhee PSM***Accountability in the 21st Century—The powers and responsibilities  
of Commonwealth Auditors-General*

Presented to the Commonwealth Auditors-General Conference, Bermuda

7 July 2008

## Appendix 6: Procurement

The Commonwealth purchasing policy framework is outlined in the *Commonwealth Procurement Guidelines* (December 2008).

### Performance against core purchasing policies

The ANAO's purchasing activities in 2008–09 adhered to the objectives set out in the guidelines. Open tender processes were conducted to seek high-quality services that provided value-for-money solutions for the ANAO.

To ensure that we meet the objectives and mandatory requirements set out in the guidelines, the Auditor-General's Instructions and associated procedural rules are periodically updated, to take account of the mandatory requirements of the guidelines. In some areas, we have established panels of contractors and consultants with particular capabilities to meet ongoing needs. The performance of these outsourced arrangements is outlined in the 'Management and accountability' section of this report.

We published our Annual Procurement Plan for 2008–09 on AusTender in June 2008.

We continue to consider a range of factors to ensure that our processes are fair and equitable and that all potential suppliers have opportunities to compete for our business.

### Policy on the selection and engagement of consultants

We use consultants on a needs basis for a variety of tasks. The most common uses of contracted-in consultants include the application of expert professional skills to:

- investigate or diagnose a defined issue or problem
- carry out defined research reviews or evaluations
- provide independent advice, information or creative solutions
- provide specialised services, including assistance with the development and/or implementation of purpose-built IT systems and with legal advice.

Initially using an open tender process, we have selected and maintained a panel of consultants for audit-related work. In addition, consultancies for larger activities (audit or non-audit related) are put out to tender when required.

A suite of standard form contracts has been developed for our staff to use in setting up consultancies. Where necessary, our staff can readily adapt those documents to suit individual circumstances.

Consultants contracted to provide services under the *Auditor-General Act 1997* must sign a deed of confidentiality to ensure that they are aware of their legal commitment to the relevant confidentiality and secrecy provisions under the Act. Consultants may exercise those powers only in respect to the services for which they are contracted.

## Summary of consultancy information

Table A6.1 lists the consultancies valued at \$10,000 or more that were let in 2008–09. The total figure refers to total value of the contracts let, irrespective of the period of the contract, noting that some contracts are let for periods in excess of one year.

**TABLE A6.1: LIST OF CONSULTANCY CONTRACTS LET IN 2008–09 VALUED AT \$10,000 OR MORE**

Name	Description	Contract price (\$)	Selection process <sup>1</sup>	Reason <sup>2</sup>
Mr Andrew Podger, AO trading as A and B Podger Pty Ltd	External member PAS Group audit advisory group for performance audit: Value and codes of conduct adopted by external service providers	13,000	<i>Non-covered procurement</i> Direct Sourcing	B
Mr Andrew Podger, AO trading as A and B Podger Pty Ltd	External member PAS Group audit advisory group for performance audit: Planning and allocation of aged care places and capital grants	15,600	<i>Non-covered procurement</i> Select Tender	B
Affinitext Inc	IT consultancy services to improve the presentation of our better practice guides on the ANAO website. SAP	18,907	<i>Non-covered procurement</i> Direct Sourcing	B
Allanson Consulting Pty Ltd	Consultancy services for performance audit: Fraud control arrangements with APS agencies	20,905	Panel	B
Allanson Consulting Pty Ltd	Data analysis for workforce planning	11,000	Panel	C
Allanson Consulting Pty Ltd	Consultancy services for Audit: Non-government schools funding	38,517	Panel	C
Aquitaine Consulting Pty Ltd	Consultancy services providing a report on IT management issues within the Australian Public Service	18,100	<i>Non-covered procurement</i> Direct Sourcing	C
ASG Group Limited	Development of an electronic Performance Audit Manual	20,100	Select Tender	B
Australian Government Solicitor—ACT	Legal advice for the performance audit: The Australian Taxation Office's implementation of the Change Program: A strategic overview of benefits and costs	44,000	Panel	B

Name	Description	Contract price (\$)	Selection process <sup>1</sup>	Reason <sup>2</sup>
Australian National University (by Dr Stephen Howes)	External member PAS Group audit advisory group for performance audit: Managing aid effectiveness, Australian Agency for International Development (AusAID)	33,000	<i>Non-covered procurement</i> Direct Sourcing	B
Christopher Conybeare and Associates	Provision of specialised advice for the better practice guide: Selection and approval of ICT-enabled projects	15,000	Open Tender	B
Christopher Conybeare and Associates	External member PAS Group audit advisory group for performance audit: Funding of non-government schools	11,000	<i>Non-covered procurement</i> Direct Sourcing	B
Collaborative Business	Provision of advice to improve the readability of the front end of audit reports	12,000	<i>Non-covered procurement</i> Direct Sourcing	C
ConSolve Pty Ltd	Records management review of audit recommendations	52,000	Direct Sourcing	C
Dale R Boucher	Legal advice for the performance audit: The Super Seasprite	23,000	Panel	B
David Collins Consulting	External member PAS Group audit advisory group for performance audit: Customs and Border Protection's processing of inbound passengers	12,006	<i>Non-covered procurement</i> Direct Sourcing	B
Deloitte Touche Tohmatsu	Review of unfunded superannuation liability for CSS and PSS	25,988	Select Tender	B
Deloitte Touche Tohmatsu	Advice on government financial guarantees	12,000	Direct Sourcing	B
DLA Phillips Fox	Legal advice for the performance audit: Representations to the Department of the Treasury in relation to motor dealer financing assistance	30,000	Panel	B
DLA Phillips Fox	Legal advice for work on the Auditor-General Act	16,438	Open Tender	B
DLA Phillips Fox	Legal advice for the performance audit: Medicare administration of Pharmaceutical Benefits Scheme	24,000	Select Tender	B

Name	Description	Contract price (\$)	Selection process <sup>1</sup>	Reason <sup>2</sup>
Dr Sally Young	External member PAS Group audit advisory group for performance audit: Administration of parliamentary entitlements	10,301	<i>Non-covered procurement</i> Direct Sourcing	B
Ernst & Young	Review of AAS Group financial statement audit templates	15,000	Direct Sourcing	B
Ernst & Young	Work in progressing ANAO internal audit work program	458,000	Open Tender	C
Ernst & Young	Assistance with the development of the better practice guide: Business continuity management	42,677	Open Tender	B
Excelerated Consulting Pty Ltd	IT assistance for PAS Group with TM1	15,000	<i>Non-covered procurement</i> Direct Sourcing	
Excelerated Consulting Pty Ltd	Provision of software to facilitate enhanced access and integration of HR and finance business information	40,964	Direct Sourcing	B
HBA Consulting	Investigation of staffing matter	10,725	Direct Sourcing	C
John Shelton	AAS Group Writing Skills Program	20,000	Select Tender	B
KPMG Peat Marwick —ACT	Preparation of independent performance audit called Human resource management	85,000	Open Tender	B
KPMG Peat Marwick —ACT	Tax effect accounting treatment in the Australian Taxation Office	12,650	Direct Sourcing	C
Mallesons Stephen Jaques	Legal advice about information and communications technology outsourcing	20,440	Open Tender	B
Mallesons Stephen Jaques	Legal advice about Matter No. 06-5501-8372	15,492	Select Tender	B
Mallesons Stephen Jaques	Legal advice about Matter No. 06-5108-5541	25,000	Open Tender	B
Minter Ellison	Legal advice about performance audit: The Movement Alert List	11,337	Open Tender	B
Noesis Learning Pty Ltd	Assistance with ANAO training and development	12,304	Direct Tender	B
OBS Pty Ltd	Assistance with PAS Group PAM Database Project conversion	19,602	Direct Tender	B



Name	Description	Contract price (\$)	Selection process <sup>1</sup>	Reason <sup>2</sup>
ORIMA Research	Conduct survey for performance audit : Management of the overseas owned estate	11,047	Panel	B
ORIMA Research	Conduct survey for performance audit: National Health Medical Research Council grant administration	14,975	Panel	B
ORIMA Research	Conduct survey for performance audit: Fraud control arrangement with Australian Public Service agencies	16,440	Panel	C
ORIMA Research	Conduct survey for the performance audit: Managing aid effectiveness, Australian Agency for International Development (AusAID)	11,260	Panel	B
ORIMA Research	Conduct agency surveys for 2007–2008 performance audits	31,900	Panel	C
ORIMA Research	Conduct agency surveys for 2008–2009 performance audits	45,925	Panel	C
ORIMA Research	Conduct 2008 ANAO Parliamentary Survey	96,000	Open Tender	C
Protiviti Pty Ltd	Assistance with delivering the better practice guide: SAP ECC 6.0 security and control	56,800	Open Tender	B
Resolution Consulting Services	Project management of PSA Project	65,000	Select Tender	B
Resolution Consulting Services	External member PAS Group audit advisory group for performance audit: Medicare Australia's administration of the Pharmaceutical Benefits Scheme	50,000	Panel	B
Rodney James Badger	External member PAS Group audit advisory group for performance audit: Australian Taxation Office's implementation of Change Program: A strategic overview of benefits and costs	40,058	<i>Non-covered procurement</i> Direct Sourcing	B
Spry Family Trust	Provision of technical advice on the heating and ventilation system at the Canberra office	20,000	Direct Sourcing	B

Name	Description	Contract price (\$)	Selection process <sup>1</sup>	Reason <sup>2</sup>
Stanton Strategic Solutions (David Stanton trading as)	External member PAS Group audit advisory group for performance audit: Child support reforms: Stage one Child Support Scheme reforms and improving compliance	13,752	<i>Non-covered procurement</i> Direct Sourcing	B
stratsec Pty Ltd	I-RAP Gap Assessment and Certificate	32,912	Open Tender	B
Tanner James Management Consultants Pty Ltd	Development of a Project Management Guide	54,967	<i>Non-covered procurement</i> Direct Sourcing	B
Tom Sherman	External member PAS Group audit advisory group for performance audit: The Australian Tax Office's management of serious non-compliance	20,000	<i>Non-covered procurement</i> Direct Sourcing	B
WalterTurnbull Pty Ltd	Information and communication technology outsourcing strategic adviser	88,000	Open Tender	B
WalterTurnbull Pty Ltd	BPK Training Project Indonesia	70,332	Select Tender	B
WT Partnership	Quantity surveying services for refurbishment	22,000	Select Tender	B
<b>Total</b>		<b>2,042,421</b>		

1. Explanation of selection process terms drawn from the Commonwealth Procurement Guidelines (December 2008).

Open Tender. A procurement procedure in which a request for tender is published inviting all businesses that satisfy the conditions for participation to submit tenders. Public tenders are generally sought from the Australian Government AusTender internet site.

Select Tender. A procurement procedure in which the procuring agency selects which potential suppliers are invited to submit tenders. This procurement process may only be used under certain defined circumstances.

Direct Sourcing. A form of restricted tendering, available only under certain defined circumstances, with a single potential supplier or suppliers being invited to bid because of their unique expertise and/or their special ability to supply the goods and/or services sought.

Panel. An arrangement under which a number of suppliers, initially selected through an open tender process, may each supply property or services to an agency as specified in the panel arrangements. Quotes are sought from suppliers that have pre-qualified on the agency panels to supply to the government. This category includes standing offers and supplier panels where the supply of goods and services may be provided for a predetermined length of time, usually at a pre-arranged price.

2. Justification for decision to use consultancy:

A—skills currently unavailable within agency

B—need for specialised or professional skills

C—need for independent research or assessment.

A comparison of the total value of consultancy contracts valued at \$10,000 or more over the years 2005–06 to 2007–08 is set out in table A6.2.

**TABLE A6.2: CONSULTANCY CONTRACTS VALUED AT \$10,000 OR MORE, 2006–07 TO 2008–09**

Year	Amount (\$ million)
2006–07	1.32
2007–08	1.13
2008–09	2.04

The reason for the increase this year can be attributed mainly to:

- Ernst & Young work in progressing ANAO internal audit work program
- an increase in contracts from 37 in 2007–08 to 57 in 2008–09
- the preparation of an independent performance audit by KPMG
- a number of large consultancies that fell in 2008–09 (for example, the parliamentary survey, IT contracts to support a number of business initiatives and the building refurbishment).

## Appendix 7: Advertising and market research

Payments over \$10,900 (inclusive of GST) to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations are set out in Table A7.1.

**TABLE A7.1: ADVERTISING AND MARKET RESEARCH**

Organisation	Service provided	Cost (\$)
<i>Advertising agencies</i>		
Not applicable	Not applicable	Nil
<i>Market research organisations</i>		
ORIMA Research	Conduct survey for the performance audit: National Health Medical Research Council Grant Administration	14,975
ORIMA Research	Conduct survey for the performance audit: Managing Aid Effectiveness, Australian Agency for International Development (AusAID)	11,260
ORIMA Research	Conduct AAS Group client survey for 2007–08	31,900
ORIMA Research	Conduct agency surveys for 2008–09 performance audits	22,963
ORIMA Research	Conduct 2008 ANAO Parliamentary Survey	93,280
ORIMA Research	Conduct ANAO annual staff survey for 2007–08	30,345
ORIMA Research	Conduct ANAO Public sector entity survey for 2007–08	20,322
<i>Direct mail organisations</i>		
Not applicable	Not applicable	Nil
<i>Media advertising organisations</i>		
hma Blaze	Recruitment advertising	128,000

Note: Payments made to the market research organisation ORIMA Research are also included in Table A6.1, List of consultancy contracts let in 2008–09. Table A6.1 lists the value of contracts.

## Appendix 8: Contact directory

### Central Office

19 National Circuit, Barton ACT 2600  
GPO Box 707, Canberra ACT 2601  
Tel. (02) 6203 7300; Fax (02) 6203 7777  
Executive fax: (02) 6273 5355  
Email: [ag1@anao.gov.au](mailto:ag1@anao.gov.au)

### ANAO website

The ANAO website ([www.anao.gov.au](http://www.anao.gov.au)) provides information on the ANAO and our reports. It also provides links to other audit offices in Australia and internationally.

### Executive

#### Auditor-General

Ian McPhee PSM  
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#### Deputy Auditor-General

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### Principal Adviser

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### *Executive Directors*

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## PART 6 REFERENCES AND INDEXES



## Abbreviations and acronyms

AASB	Australian Accounting Standards Board
AAS	Assurance Audit Services
AFMA	Australian Fisheries Management Authority
AIMS	Australian Institute of Marine Science
ANAO	Australian National Audit Office
ANU	Australian National University
APS	Australian Public Service
ASA	Australian Auditing Standards
ASAE	Australian Standard on Assurance Engagements
ASC	Australian Sports Commission
AS/NZS	Australian/New Zealand Standard
ASOSAI	Asian Organisation of Supreme Audit Institutions
ATSI	Aboriginal or Torres Strait Islander
AusAID	Australian Agency for International Development
AWA	Australian Workplace Agreement
BPG	Better Practice Guide
BPK	Indonesian Audit Office
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CAS	Central Advertising System
CMAL	Central Movement Alert List
CPA	Certified Public Accountant
CSG	Corporate Support Group
CSS	Commonwealth Superannuation Scheme
CSTDA	Commonwealth State/Territory Disability Agreement
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
DMO	Defence Materiel Organisation

DVA	Department of Veterans' Affairs
EL	Executive Level
ESD	ecologically sustainable development
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FMA Act	<i>Financial Management and Accountability Act 1997</i>
GBE	government business enterprise
GST	goods and services tax
IAASB	International Auditing and Assurance Standards Board
ICAA	Institute of Chartered Accountants in Australia
INTOSAI	International Organization of Supreme Audit Institutions
I-RAP	Infosec-Registered Assessor Program (I-RAP)
ISACA	Information Systems Audit and Control Association
IT	information technology
IUU	illegal, unreported and unregulated
JCPAA	Joint Committee of Public Accounts and Audit
MAL	Movement Alert List
OAG	Office of the Auditor General of Canada
OH&S	occupational health and safety
PM&C	Department of Prime Minister and Cabinet
PRRT	Petroleum Resource Rent Tax
PWD	persons with disabilities
NESB	Non-English speaking background
PAM	Procedures Advice Manual
PAS	Performance Audit Services
PBS	Portfolio Budget Statement
PNG	Papua New Guinea
PNGAO	Papua New Guinea Audit Office
PSA	Professional Services Automation
PSM	Public Service Medal
PSS	Public Sector Superannuation Scheme

SAls	supreme audit institutions
SES	Senior Executive Service
SIP	Strategic Investment Program
The Act	<i>Auditor-General Act 1997</i>

## Compliance index

Part of report	Description	Requirement	Pages
	Letter of transmittal	Mandatory	iii
	Table of contents	Mandatory	vi
	Index	Mandatory	175
	Glossary	Mandatory	168
	Contact officer(s)	Mandatory	ii
	Internet home page address and internet address for report	Mandatory	ii
Review by the Auditor-General	Review by Auditor General	Mandatory	2–8
	Summary of significant issues and developments	Suggested	2–7
	Overview of department's performance and financial results	Suggested	2–7
	Outlook for following year	Suggested	v, 8
Departmental overview	Overview description of department	Mandatory	10–14
	Role and functions	Mandatory	10
	Organisational structure	Mandatory	11–12
	Outcome and output structure	Mandatory	13
	Where outcome and output structures differ from PBS format, details of variation and reasons for change	Mandatory	N/A
	Portfolio structure	Portfolio departments – mandatory	N/A
Report on performance	Review of performance during the year in relation to outputs and contribution to outcomes	Mandatory	16–52
	Actual performance in relation to performance targets set out in PBS/PAES	Mandatory	16, 17, 31, 42
	Performance of purchaser–provider arrangements	If applicable, mandatory	N/A
	Where performance targets differ from the PBS/PAES, details of both former and new targets, and reasons for the change	Mandatory	N/A
	Narrative discussion and analysis of performance	Mandatory	16–52
	Trend information	Suggested	22, 39, 40, 44, 49, 50

Part of report	Description	Requirement	Pages
	Factors, events or trends influencing departmental performance	Suggested	16–52
	Significant changes in nature of principal functions/services	Suggested	N/A
	Performance against service charter customer service standards, complaints data, and the department's response to complaints	If applicable, mandatory	81
	Social justice and equity impacts	Suggested	75–76
	Discussion and analysis of the department's financial performance	Mandatory	14, 84–87
	Discussion of any significant changes from the prior year or from budget.	Suggested	7, 84
	Agency resource statement and summary resource tables by outcomes	Mandatory	85–87
	Developments since the end of the financial year that have affected or may significantly affect the department's operations or financial results in future	If applicable, mandatory	None
Management and accountability			54–81
Corporate governance	Statement of the main corporate governance practices in place	Mandatory	54–63
	Names of the senior executive and their responsibilities	Suggested	54
	Senior management committees and their roles	Suggested	54–56
	Corporate and operational planning and associated performance reporting and review	Suggested	57–61
	Approach adopted to identifying areas of significant financial or operational risk and arrangements in place to manage risks	Suggested	58–59
	Agency heads are required to certify that their agency comply with the Commonwealth Fraud Control Guidelines.	Mandatory	60
	Policy and practices on the establishment and maintenance of appropriate ethical standards	Suggested	61
	How nature and amount of remuneration for SES officers is determined	Suggested	67

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External scrutiny	Significant developments in external scrutiny	Mandatory	62–63
	Judicial decisions and decisions of administrative tribunals	Mandatory	63
	Reports by the Auditor-General, a parliamentary committee or the Commonwealth Ombudsman	Mandatory	63
Management of human resources	Assessment of effectiveness in managing and developing human resources to achieve departmental objectives	Mandatory	64–76
	Workforce planning, staff turnover and retention	Suggested	65
	Impact and features of collective agreements, determinations, common law contracts and AWAs	Suggested	66
	Training and development undertaken and its impact	Suggested	67–73
	Occupational health and safety performance	Suggested	74–76
	Productivity gains	Suggested	74
	Statistics on staffing	Mandatory	126–128
	Collective agreements, determinations, common law contracts and AWAs	Mandatory	66
	Performance pay	Mandatory	67
Assets management	Assessment of effectiveness of assets management	If applicable, mandatory	81
Purchasing	Assessment of purchasing against core policies and principles	Mandatory	81, 156
Consultants	Summary statement	Mandatory	80, 156–162
Australian National Audit Office access clauses	Absence of provisions in contracts allowing access by the Auditor-General	Mandatory	N/A
Exempt contracts	Contracts exempt from being published in AusTender	Mandatory	None were exempt
Commonwealth Disability Strategy	Report on performance in implementing the Commonwealth Disability Strategy	Mandatory	75–76
Financial statements	Financial statements	Mandatory	88–125
Other information			
	Occupational health and safety (section 74 of the <i>Occupational Health and Safety Act 1991</i> )	Mandatory	74–76

Part of report	Description	Requirement	Pages
	Freedom of Information (subsection 8(1) of the <i>Freedom of Information Act 1982</i> )	Mandatory	80
	Advertising and Market Research (section 311A of the <i>Commonwealth Electoral Act 1918</i> )	Mandatory	163
	Ecologically sustainable development and environmental performance (section 516A of the <i>Environment Protection and Biodiversity Conservation Act 1999</i> )	Mandatory	77–79
	Grant programs	Mandatory	81
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