

# THE AUDITOR-GENERAL ANNUAL REPORT 2012–2013



# HIGHLIGHTS

#### The ANAO successfully maintained the high quality and timeliness of audit reporting,

while absorbing an increase in audit workload arising from the creation of 22 new bodies to manage government initiatives in areas such as health and clean energy.

#### .....

# first follow-themoney audit,

an audit of the administration of the Mersey Community Hospital involving the Tasmanian Government, commenced.

AUDIT REPORT NO.31 2012–13, IMPLEMENTATION OF THE NATIONAL PARTNERSHIP AGREEMENT ON HOMELESSNESS, THE REPORT OF THE ANAO'S

FIRST CONCURRENT AUDIT,

UNDERTAKEN CONCURRENTLY WITH SIX STATE AND TERRITORY AUDITORS-GENERAL, WAS TABLED.

#### The new People and Capability Investment Strategy 2012–15

established the direction and priorities for developing and retaining the ANAO's staff.

# A citizen's input facility

was piloted on the ANAO's website to provide members of the public with an opportunity to contribute to performance audits in progress.

#### A pilot project on key

performance indicators, to assess the status of the Australian Government's performance measurement and reporting framework, was successfully undertaken.

#### BY VOLUNTARILY REPORTING ON APPLICABLE PARTS OF THE TDANCDADENCV

# TRANSPARENCY REPORTING

REQUIREMENTS ESTABLISHED BY THE CORPORATIONS LEGISLATION AMENDMENT (AUDIT ENHANCEMENT) ACT 2012, THE ANAO IMPROVED REPORTING AND TRANSPARENCY WITHIN THIS YEAR'S ANNUAL REPORT.

Core skills, experience and behaviours of all staff were defined through the development and release of the **ANAO Capability Framework.** 

# A revamped ANAO Mentor Program,

including training and communities of practice, was released and attracted a high level of engagement from staff. The introduction of the new, one-page

# ANAO Strategic Statement

streamlined the ANAO's planning and management reporting arrangements.

## The ANAO **PERFORMED WELL AGAINST ALL OF ITS TARGETS**,

particularly in delivering engagements across its range of international activities and appearing before and making submissions to parliamentary committees.

AN INDEPENDENT REVIEW CONCLUDED THAT THE ANAO HAS DEMONSTRATED A STRONG COMMITMENT TO

# EFFECTIVE QUALITY ASSURANCE

TO SUPPORT THE CONDUCT OF FINANCIAL STATEMENT AUDITS.

# The Auditor-General launched a refreshed learning and development portal

on the intranet as an informative 'one-stop shop' for all learning and career development opportunities.



# THE AUDITOR-GENERAL ANNUAL REPORT 2012–2013



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Auditor-General for Australia Australian National **Audit Office** 11 September 2013 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 Madam Speaker In accordance with section 28 of the Auditor-General Act 1997, and pursuant to 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 2013. Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website, www.anao.gov.au. Yours sincerely Ian McPhee Auditor-General GPO Box 707 CANBERRA ACT 2601 19 National Circuit BARTON ACT Phone (02) 6203 7500 Fax (02) 6273 5355 Email ian mophee@anao.gov.au http://www.anao.gov.au

## ABOUT THIS REPORT

This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ending on 30 June 2013.

It addresses the *Requirements for Annual Reports for Departments, Executive Agencies and FMA Act Bodies* approved by the Joint Committee of Public Accounts and Audit in June 2013; the performance measures set out in the outcomes and programs framework in the 2012–13 Portfolio Budget Statements; section 28 of the *Auditor-General Act 1997*; and other annual reporting requirements set out in legislation.

- In Part 1, the Auditor-General reviews the significant issues and achievements of the past year and reflects on the challenges for the year ahead.
- Part 2 provides an overview of the ANAO—including its role and vision, the way it is organised, and how it reports on performance—and a summary of financial performance and results against key performance indicators.
- Part 3 reports on the performance of the ANAO's two programs: Assurance Audit Services and Performance Audit Services.
- Part 4 describes core elements of the ANAO's corporate governance and management of human resources, and other management issues.
- Part 5 includes a summary of the ANAO's financial results and the audited financial statements for 2012–13.
- Part 6 provides details of staffing statistics; performance audit reports; public addresses by the Auditor-General and senior staff; and ways to contact the ANAO.
- Part 7 provides an abbreviations list, an index showing how reporting requirements are addressed in the main report, and an alphabetical index, to assist the reader to use the report.

This report and other ANAO publications, as well as information on the ANAO, are available online at www.anao.gov.au.

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# FOREWORD BY THE AUDITOR-GENERAL PART 1



Auditor-General Ian McPhee.

At the Australian National Audit Office (ANAO), we set ourselves fairly demanding targets. I am pleased to report that in 2012–13 we performed well in terms of our targets, and in some cases our targets were exceeded.

## THE YEAR IN REVIEW

The ANAO provided audit opinions on the financial statements of 261 Australian Government entities; an assurance audit report on Department of Defence major projects; two biannual reports on the audits of financial statements of major government entities; and 51 reports covering our performance audits, as well as a report on our pilot study on entities' key performance indicators. The ANAO also published three better practice guides, against a target of four. These results are discussed in Part 3 of this annual report.

Our audit work over the past year had an impact on many areas of public administration and continued to stimulate improvement in public administration. In particular, we made a strong contribution in encouraging better performance in relation to:

- defence procurement
- grants administration
- > the adoption and monitoring of key performance indicators
- the integrity of financial systems.

We are observing an increase in the joined-up nature of public administration, which requires Australian Government agencies to work with other agencies at the Commonwealth, state and territory levels to pursue common policy objectives. Our approaches to financial statement and performance auditing have been adjusted to take account of these developments as well as our statutory mandate.

In 2011–12, amendments to the *Auditor-General Act 1997* saw the most significant changes to our legislative framework since the office was given the performance audit mandate in 1979. One major change gave the Auditor-General the authority to audit Commonwealth partners when requested to do so by the Joint Committee of Public Accounts and Audit (JCPAA). Often called 'follow-the-money audits', such audits may examine the performance of state or territory bodies, or contractors to Commonwealth entities, that receive money for Commonwealth purposes.

In 2012–13, the ANAO commenced its first follow-the-money audit, the audit of the agreements for the administration of the Mersey Community Hospital in Tasmania. We received good cooperation from both Australian Government and Tasmanian Government entities during the audit, which was able to assess the end-to-end performance of the arrangements in place. The report on this audit was tabled on 14 August 2013.

PART 1

The ANAO also participated with the Auditors-General of most states and territories in the first 'concurrent audit', whereby each of the jurisdictions conducted an audit of aspects of the implementation of the National Partnership Agreement on Homelessness. Common audit objectives and criteria were agreed by the state and territory jurisdictions in order to examine whether the relevant government agencies were meeting their obligations under the agreement, and whether the agreement was making a difference for homeless people. The ANAO, in preparing its report, considered the findings of the reports completed by the state and territory Auditors-General.

Our work is held in high regard, and the ANAO continues to be seen as an independent source of sound information and advice to the Parliament on the state of public administration. This is demonstrated by our very good relationship with the JCPAA and the increasing numbers of requests for audits that we receive from members of Parliament and the public.

In 2012–13, we sought to engage the broader public more directly and provide the opportunity for members of the public to contribute to our work. During the year we piloted a citizen's input facility on our website, which allowed members of the public to contribute information for consideration during the evidence collection stages of selected performance audits. Based on the successful outcomes of the pilot, I have decided to retain the citizen's input facility and make it a feature of all future performance audits. Developments of this kind show how the ANAO is changing to provide improved services in a changing world.

In addition, for a comparatively small organisation we continue to make a strong contribution to the international public sector audit fraternity. We have maintained close ties with our counterpart organisations in Indonesia and Papua New Guinea through our ongoing capacity-building assistance, which includes having senior executives working in both locations. We also participate in international working groups on a range of topics, including environmental audit, IT audit and performance audit. We frequently receive requests to host international delegations, from countries as diverse as Kenya and Brunei. In 2012–13, our success in this area assisted us to exceed our target of 40 engagements that 'contribute to public sector auditing and support developing nations'.

The high regard in which the office is held is a testament to the professionalism and commitment of the ANAO's staff and senior leadership. Throughout the year we continued to invest in our supporting systems and our people. These investments have placed the office well to perform efficiently in the medium term. Initiatives that we undertook to invest in our staff are discussed in Part 4 of this annual report.

Through prudent cost management and efficiency initiatives, the ANAO achieved an operating surplus for 2012–13. In conjunction with prior surpluses, this will assist us to manage in the near term. However, the challenges for us lie in managing to the budgets reflected in the forward estimates. Further detail on our financial position can be found in Part 5.

In line with our focus on improving public administration, we have sought to improve our reporting and transparency in this year's annual report. The *Corporations Legislation Amendment (Audit Enhancement) Act 2012* introduced a range of measures aimed at improving the quality and transparency of the auditing process to ensure that Australia's audit quality and supporting regulatory framework remain in line with international best practice. While this legislation applies to private sector audit firms, we have decided to adopt many of the requirements and to pursue opportunities for improvements in the quality and transparency of our work. A guide to the new material included as part of this approach is provided in Part 4.

# THE YEAR AHEAD

We will continue to look for opportunities to provide even better outcomes in an ever-changing environment. The new Parliament will require us to engage with new parliamentarians and establish productive working relationships with new ministers and members of parliamentary committees, and possibly with some new entities. In particular, establishing effective working relationships with the new membership of the JCPAA will be important.

The tightening fiscal outlook for all government agencies is likely to have an impact on the work of the ANAO. While we expect to deliver similar audit coverage through the work program in 2013–14, the outlook over forward years is very challenging as we seek to maintain the structural integrity of the ANAO budget. In the absence of additional funding in forward years we will need to consider a reduction in the numbers of audits and other activities undertaken.

The passage of the *Public Governance, Performance and Accountability Act 2013* and the development of associated rules is expected to lead to changes in the financial framework from July 2014. There will be a need to stay abreast of these changes and plan for the consequences for the work of the ANAO.

We have also considered ways to improve and streamline our management reporting arrangements for the coming year. We have developed a one-page strategic statement which reflects the four key focus areas and the values that will shape the achievement of our goals and continue to strengthen the standing of the office in pursuit of our vision. The key focus areas are:

- 1. Independent and responsive
- 2. Value-adding audit services
- 3. Capability to deliver world-class services
- 4. Confidence in the delivery of our services.

In progressing our initiatives and commitments in the coming year, we will continue to strive for audit quality and productivity enhancements. Our staff are the key to our success, and we will continue to place a high priority on working collaboratively, ensuring sufficient time and space for self-learning and evaluation across all levels.

I remain positive about the ability of the ANAO to continue to make a valued contribution to improvement in public administration and provide assistance to Parliament. I wish to thank all ANAO staff for their professionalism, enthusiasm, flexibility and support during the past year.

lan McPhee Auditor-General

# overview PART 2

## ROLE

The role of the ANAO is to improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.

The *Auditor-General Act 1997* provides a legislative framework for the role of the Auditor-General and the ANAO. Under the Act the Auditor-General is responsible for auditing the financial statements of Australian Government public sector entities, that is:

- > agencies as described in the Financial Management and Accountability Act 1997
- authorities and companies, and their subsidiaries, as described in the Commonwealth Authorities and Companies Act 1997.

The Auditor-General Act also authorises the Auditor-General to:

- conduct a performance audit, an assurance review, or audit the performance indicators, of an Australian Government public sector entity (other than a government business enterprise)
- conduct a performance audit or assurance review, or audit the performance indicators, of a government business enterprise, if requested by the Joint Committee of Public Accounts and Audit (JCPAA)
- conduct performance audits of Commonwealth partners as described in section 18B of the Act (audits of Commonwealth partners that involve a state or territory agency must be requested by the JCPAA)
- provide other audit services as required by other legislation or allowed under section 20 of the Act
- report directly to Parliament or to a minister on any important matter.

Through the delivery of an integrated range of high-quality audit reports and opinions that are timely, cost-effective and conducted in accordance with the ANAO's auditing standards, the ANAO aims to meet the needs and expectations of the Parliament, the Government and audit clients, and to add value to public sector performance and accountability. While financial statements audits and performance audits are our main focus, we also conduct a range of other audit and review activities as indicated above.

In addition, the ANAO plays a leadership role in improving public administration and public sector audit capability in Australia and overseas, through:

- publishing relevant and topical information such as better practice guides
- participating in forums and seminars
- > providing development opportunities, including secondments, for audit professionals
- deploying experienced staff to audit institutions in Indonesia and Papua New Guinea.

The Auditor-General Act establishes the Auditor-General as an Independent Officer of the Parliament—a title that symbolises the position's unique relationship with the Parliament. The independence of the Auditor-General and the quality and objectivity of the ANAO's work form the foundation of the office's standing and reputation.

PART 2



Deputy Auditor-General Steve Chapman (left) and Auditor-General Ian McPhee.

## VISION

The ANAO's vision is to be an international leader in the provision of independent public sector audit and related services.

## ORGANISATION

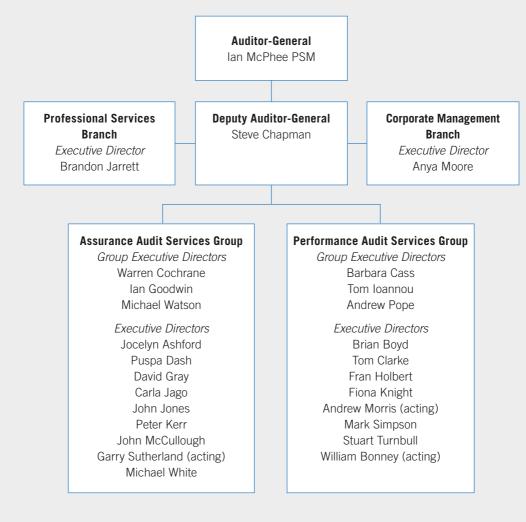
The ANAO is organised into two service groups and two support branches:

- The Assurance Audit Services Group provides independent assurance on the financial statements and financial administration of all Australian Government entities. It also conducts assurance reviews such as the review of the annual Defence Materiel Organisation major projects report.
- The Performance Audit Services Group contributes to improved public sector administration and accountability by conducting performance audits of Australian Government entities and producing related publications.
- The Professional Services Branch provides technical support—including quality assurance and the provision of information to auditees through newsletters and technical seminars—to the service groups and the Auditor-General.
- The Corporate Management Branch provides administrative support, including the coordination of corporate governance activities, human resources, finance, external relations, publications, IT and building services.

The ANAO is located in Canberra.

The organisational and senior management structure of the ANAO at 30 June 2013 is shown in Figure 1.

#### FIGURE 1: ORGANISATIONAL AND SENIOR MANAGEMENT STRUCTURE AT 30 JUNE 2013



OVERVIEW

# OUTCOMES AND PROGRAMS FRAMEWORK

The ANAO's outcomes and programs framework is set out in its Portfolio Budget Statements, which sit administratively within the portfolio of the Prime Minister and Cabinet. Part 3 of the annual report describes our performance against the measures set out in the Portfolio Budget Statements and our Business Plan for 2012–13.

The framework for 2012–13 consisted of two outcomes and two programs, as illustrated in Figure 2. As Figure 2 shows, the programs contributed to the outcomes through separate and shared program components.

#### FIGURE 2: OUTCOMES AND PROGRAMS FRAMEWORK, 2012–13

Outcomes				
1 To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the Executive	2 To improve the efficiency and effectiveness of the administration of Australian Government programs and entities by undertaking a program of independent performance audits and assurance reviews for the information of Parliament and the Executive			
	<u> </u>			
Prog	rams			
1.1 Assurance Audit Services	2.1 Performance Audit Services			
Objectives				
<ul> <li>To audit the annual financial statements of Australian Government entities</li> <li>To give assurance to stakeholders that an entity's financial statements fairly represent its financial operations and financial position at year end</li> <li>To contribute to improvements in the financial administration of Australian Government entities by making recommendations arising from audit service activities.</li> </ul>	<ul> <li>To undertake performance audits of Australian Government entities and partners as appropriate</li> <li>To review all or part of an entity's operations to assess its efficiency and/or administrative effectiveness</li> <li>To identify areas where improvements can be made to aspects of public administration</li> <li>To make specific recommendations to help public sector entities improve their program management</li> <li>To contribute to improvements in Commonwealth public administration by identifying and promoting better practice</li> <li>To further professional and public sector development nationally and internationally, and assist audit institutions in developing nations.</li> </ul>			
	·			
Compo	onents <sup>a</sup>			
Financial statement audit reports Other assurance reports	Performance audit services Other audit and related services Better practice guides			
Assistance to Parliament National and international representations and developing nation support				

a In addition to these components, the ANAO administers a special appropriation for the remuneration of the Auditor-General.

### FINANCIAL SUMMARY

The ANAO's overall financial position remains sound. The year 2012–13 ended with a healthy operating surplus of \$3.395 million (up from an operating surplus of \$0.406 million in 2011–12). A major contributing factor to the surplus was one-off salary savings due to temporary shortfalls in the ANAO staffing profile throughout 2012–13. Through prudent cost management the ANAO also achieved savings across most expense categories, most notably in the areas of travel, printing and contracted audit services. These savings will assist the ANAO to meet the cost challenges that arise over the forward estimates, as funding remains relatively stable and additional workload arises from the financial statement audit program.

Our financial resources for 2012–13, on an outcome–program basis, are summarised in Table 18 and Table 19 in Part 5 of this report. Part 5 also includes the ANAO's financial statements and commentary on financial performance for 2012–13.

## **RESULTS AT A GLANCE**

This section provides a snapshot of the ANAO's performance in providing assurance audit and performance audit services during 2012–13.

#### Deliverables and key performance indicators

#### TABLE 1: SUMMARY OF PERFORMANCE AGAINST 2012–13 PORTFOLIO BUDGET STATEMENTS DELIVERABLES AND PERFORMANCE INDICATORS

	Target	Result
Deliverables		
Program 1.1		
Number of financial statement audit reports to be issued	250	261
Other regulatory assurance reports <sup>a</sup>	59	62
Number of financial statement related reports produced	2	2
Program 2.1		
Number of performance audits to be produced	52	52 <sup>b</sup>
Review of Defence Materiel Organisation Major Projects Report	1	1
Number of better practice guides to be produced	4	3
Number of appearances and submissions to parliamentary committees	20	32
Number of annual audit work programs	1	1
Shared components		
Number of engagements that contribute to public sector auditing and support developing nations	40	59

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	Target	Result		
Key performance indicators				
Program 1.1				
Percentage of ANAO delivered audit opinions on financial statements received from all Australian Government entities that are subsequently tabled in the Parliament	100	100		
Program 2.1				
Percentage of public sector entities that acknowledge the value added by ANAO products and services	90	78		
Percentage of audited entities that agree with the recommendations included in performance audit reports	90	97		
Shared components				
Percentage of parliamentarians surveyed that expressed satisfaction with ANAO products and services directed towards improving public sector administration	90	86 <sup>c</sup>		
Gross cost of outcome (\$m)				
	2011–12	2012–13		
Outcome 1	46.047	44.718		
Outcome 2	31.604	29.628		
Other regulatory assurance reports may be issued in respect of financial statements as the result of additional voluntary				

a Other regulatory assurance reports may be issued in respect of financial statements as the result of additional voluntary arrangements made under section 20 of the *Auditor-General Act 1997*.

b During 2012–13 there were 51 performance audit reports tabled in the Parliament. The report relating to the ANAO's pilot work on entities' key performance indicators, *The Australian Government Performance Measurement and Reporting Framework—Pilot Project to Audit Key Performance Indicators*, which was also tabled in Parliament, is included in this result. In addition the ANAO led an international peer review of the Comptroller and Auditor General of India and presented its report on the review.

c This result is from the most recent parliamentary survey, which was conducted in 2011–12. The surveys are conducted every two years.

# REPORT ON PERFORMANCE PART 3

## PROGRAM 1.1—ASSURANCE AUDIT SERVICES

#### **Financial statement audits**

Financial statement audit reports are independent audit reports of the financial statements of Australian Government entities, and provide assurance that the financial statements have been prepared in accordance with the Government's financial reporting framework and give a true and fair view of entities' financial performance. The ANAO's audits of financial statements assist Australian Government entities to fulfil their annual accountability obligations under either the *Financial Management and Accountability Act 1997* (FMA Act), the *Commonwealth Authorities and Companies Act 1997* (CAC Act) or the *Corporations Act 2001*.

#### Methodology

Each year Australian Government entities must publish their financial statements, accompanied by an audit report pursuant to legislative requirements, in their annual reports. In accordance with the legislative requirements, the ANAO audits the financial statements and expresses an opinion on whether the statements:

- ▶ have been prepared in accordance with the Government's financial reporting framework
- give a true and fair view (in accordance with Australian Accounting Standards) of the entity's financial position, financial performance and cash flows.

In addition to the audit report on the financial statements, the ANAO provides each audited entity with a report on the findings of the audit and an assessment of the entity's business and accounting processes, including the entity's internal controls relevant to the preparation of their financial statements. A report on the audit is also provided to the minister responsible for the entity.

A risk-based methodology is used in auditing financial statements. It emphasises the need for a detailed understanding of the entity's organisation and associated business risks, and seeks to place reliance where possible on governance arrangements and business processes. The office's audit methodology is supported by customised technology and comprehensive training programs.

To ensure that the audit methodology is kept up to date, the Professional Services Branch performs an annual upgrade to the audit methodology. This upgrade incorporates all relevant changes to the audit, accounting, and legal frameworks.

Pursuant to section 29 of the *Auditor-General Act 1997*, the Auditor-General delegates to senior ANAO staff responsibility for signing financial statements auditor's reports, in accordance with accountabilities under the annual work program.

#### Financial statement audits—period ended 30 June 2012

The report *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2012* was tabled in December 2012. This report summarised the final result of the audits of the 2011–12 financial statements of Australian Government entities and the consolidated financial statements of the Australian Government. It also provided information about audit findings and key governance and control activities, such as the certificate of compliance, and commented on key developments in the financial reporting and auditing framework that affect the Australian Government and its reporting entities.

**REPORT ON PERFORMANCE** 

The auditor's understanding of each entity—including its operating environment, internal controls and previous audit findings—helps the auditor design the work needed to respond to significant risks. 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.

Internal control issues identified by the ANAO during the final phase of the 2011–12 audits related to:

- > IT control environments, such as user access and the segregation of duties
- > asset management, including the valuation of assets and the reporting of inventory
- business system processing controls
- estimation processes in relation to areas involving accounting judgements.

These issues are generally consistent with the issues identified by audit findings in previous years.

#### FINANCIAL STATEMENT AUDITORS' REPORTS

Where an entity's financial statements have been prepared in accordance with the Government's financial reporting framework, and fairly represent its financial operations and position, the audit opinion is 'unmodified'. Without modifying the opinion, an auditor's report may include:

- an 'Emphasis of Matter' paragraph, which draws the reader's attention to matters disclosed in the financial statements that, in the auditor's judgement, are of fundamental importance to the understanding of the financial statements
- a 'Report on Other Legal and Regulatory Requirements', which addresses additional responsibilities supplementary to the auditor's reporting responsibilities for the financial statements.

The need to modify an audit opinion can arise for a number of reasons, including material misstatement of the final balances or insufficient appropriate audit evidence to enable the Auditor-General to form an opinion. By developing and maintaining professional working relationships, the ANAO seeks to support efforts by each entity's management to mitigate factors that may result in a modified audit opinion.

As shown in Table 2, for the 2011–12 financial year, 261 financial statement audit reports were issued, of which none included a modified opinion, six contained an emphasis of matter, and 21 included a reference to other legal and regulatory requirements.

#### TABLE 2: SUMMARY OF AUDITORS' REPORTS ON FINANCIAL STATEMENTS FOR THE 2010–11 AND 2011–12 FINANCIAL YEARS

	Financial year ended		
	30 June 2012	30 June 2011	
Reports issued with an unmodified opinion	261	266	
including an Emphasis of Matter paragraph	6	5	
• including a Report on Other Legal and Regulatory Requirements	21	48	
Reports issued with a modified opinion	0	0	
Total reports	261	266	
Reports outstanding	0	0	
Total audits <sup>a</sup>	261	266	

a Includes the auditor's report on the Consolidated Financial Statements of the Australian Government. There were seven outstanding auditor's reports at the time of tabling of report No.16, *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2012*, in December 2012; the reports were subsequently finalised during 2012–13.

#### CLEARANCE DEADLINES

The ANAO plans financial statements audits so that audit clearance and audit reports are able to be issued in accordance with Australian Government timelines. For the 2011–12 financial year, the Department of Finance and Deregulation set 15 August 2012 as the audit clearance deadline for material entities (which comprise some 99 per cent of the income, expenses, assets and liabilities of the Australian Government). For non-material entities, the date was 31 August 2012.

Some 79 per cent of material entities and 64 per cent of non-material entities met their clearance deadlines. This was a decrease from 2010–11, when 86 per cent of material entities and 63 per cent of non-material entities met the deadlines. Consistent with previous years, the audits of a large majority of entities' financial statements were completed within three months of the end of the financial year. All of our auditor's reports on 2011–12 financial statements were signed within two days of the signed financial statements, an improvement compared with 96 per cent for the 2010–11 financial statements.

#### CERTIFICATES OF COMPLIANCE

Since 2006–07, the chief executive of each FMA Act agency has been required to provide an annual certificate of compliance. Directors of general government sector CAC Act authorities and wholly owned companies are also required to provide a report on compliance with relevant aspects of CAC Act legislation.

The ANAO monitors the results of agency's certificate of compliance reporting to help assess whether there are any significant or systemic compliance issues that may have an impact on the audits of the financial statements.

The Department of Finance and Deregulation advised that agencies reported a total of 12,798 breaches in 2011–12. This represents a decrease in reported non-compliance of about 16 per cent since 2010–11, when 15,262 breaches were reported. The department also advised that the improved results for 2011–12 can be attributed to ongoing work done by agencies to identify and correct non-compliance and ongoing improvements to the financial management framework and agency processes.

#### Interim phase of the financial statement audits—period ended 30 June 2013

The report *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2013* was tabled in June 2013. This report presented the results of the interim phase of the audits of the 2012–13 financial statements of 24 agencies that collectively represent some 95 per cent of total general government sector revenues and expenses.

The ANAO's interim audit phase encompasses a review of governance arrangements related to agencies' financial reporting responsibilities, and an examination of relevant internal controls, including IT system controls.

The results of our 2012–13 interim audit phase identified that the effectiveness of controls over finance and accounting processes in the majority of agencies supported the production of reliable financial statement information, reflecting the general maturity of agencies' control environments. Overall, there was a reduction in the number of findings. However, there was a small increase in findings in some categories, including accounting and control issues in respect of non-financial assets, and purchases and payables.

Machinery of government changes affected several portfolio departments and their programs in 2012–13 as a result of the Administrative Arrangements Orders of 25 March 2013. The audits of the financial statements of the affected departments will consider a number of significant matters related to these changes, including the establishment of new delegations and the transfer of appropriations and related financial reporting balances between departments. Significant new entities established by the machinery of government changes include:



Australian Government

**Clean Energy Regulator** 



#### Fees

Section 14 of the *Auditor-General Act 1997* 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.

Commonwealth authorities and companies and their subsidiaries that are subject to the CAC Act are required to pay fees for the audit of their financial statements. FMA Act agencies are advised of the notional cost (fee) for the audit of their financial statements, and that amount is disclosed in their financial statements. Notional cost recovery means that the ANAO accounts for the costs of performing the service without actually billing the auditee.

In relation to other assurance engagements, under section 20(2) of the Auditor-General Act, an entity may request additional assurance services that may provide for the payment of fees to the Auditor-General. Other than fees received for other assurance engagements, fees received by the Auditor-General on behalf of the Commonwealth are not retained by the ANAO.

Fees are based on a scale determined by the Auditor-General under section 14 of the Auditor-General Act. In determining audit fees, 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 category. The costing model takes into account all relevant costs, including the attribution of overhead costs.

#### Developments in the auditing profession

Ongoing developments in accounting and auditing frameworks and standards continue to have an impact on the financial reporting responsibilities of public sector entities and on the ANAO's auditing methodology. The ANAO assists entities through client seminars and publications that explain new regulatory and accounting requirements.

While there were few changes in Australian Accounting Standards during 2012–13, significant changes to the financial reporting framework are underway, both in Australia and internationally. A number of the proposed changes will affect the Australian public sector over the next few years, particularly in relation to lease accounting, revenue recognition and the reporting of financial instruments.

The International Public Sector Accounting Standards Board is developing a conceptual framework that will shape the future of its accounting standards for the public sector. Other significant international projects are also well underway, potentially changing reporting requirements in important areas such as financial instruments, revenue and leases. In the future, many changes to Australian Accounting Standards will be driven by developments internationally.

The Australian Accounting Standards Board (AASB) continues to work towards improved financial reporting by adding to or modifying Australian Accounting Standards. In 2012–13, the AASB issued guidance on accounting for the carbon tax, a new standard requiring government entities to report their performance against budget, and proposals to require public sector entities to disclose in their financial statements executive remuneration and other related party transactions, in line with existing standards for the private sector.

During 2012–13 the Australian Auditing and Assurance Standards Board (AUASB) released a guidance statement to assist in the application of standards to greenhouse and energy schemes and programs, and issued exposure draft 14 of a proposed standard designed to improve the quality of water accounting reports. The AUASB also released a policy on the harmonisation of Australian and New Zealand auditing standards.

Just as Australian Accounting Standards are based on international accounting standards, the AUASB bases Australian Auditing Standards on the International Standards on Auditing. The ANAO adopts the Australian Auditing Standards. The top priority of the International Auditing and Assurance Standards Board (IAASB) continues to be its project on auditor reporting. The objective of the project is to enhance the relevance and usefulness of auditors' reports to stakeholders, including by providing information on areas that, in the judgement of the auditor, were of most significance during the audit. In January 2013, the IAASB released for public comment a consultation paper, *A Framework for Audit Quality*. The objective of the framework is to raise awareness of the key elements of audit quality, encourage stakeholders to explore ways to improve audit quality, and facilitate greater dialogue between key stakeholders on the topic.



Auditors working within the Assurance Audit Services Group, including Kara Ball and Jeffrey Hobson, are responsible for preparing independent audit reports of the financial statements of Australian Government entities.

#### Other assurance engagements

Other assurance engagements provide assurance to entities and other third parties on selected matters outside the scope of the annual financial statement audit.

Ministers or entities can ask the ANAO to review activities on a cost-recovery basis, and a number of entities seek reviews or audits of their half-year financial statements as part of their corporate governance arrangements. ANAO services also include grant acquittal certificates, performance information verification and other special purpose engagements.

During 2012–13 the ANAO conducted 62 other assurance engagements, a slight decrease compared to 63 in 2011–12.

# CASE STUDY

Audits and audit-related services by arrangement under section 20—Commission for the Conservation of Southern Bluefin Tuna



Each year, the ANAO undertakes a number of other engagements under the terms of section 20 of the *Auditor-General Act 1997*, which states that the Auditor-General may enter into an arrangement to provide services that are of a kind commonly performed by auditors. Such voluntary engagements are performed at the Auditor-General's discretion and must be requested in writing by the potential client.

In 2012–13, the ANAO conducted audits and audit-related services under section 20 for approximately 60 organisations. One example is the Commission for the Conservation of Southern Bluefin Tuna, an international, intergovernmental body that aims to ensure the conservation and optimum utilisation of southern bluefin tuna. Australia is a member of the Commission.

For the past 13 years the ANAO has been engaged under the section 20 arrangements to review (not audit) the Commission's annual financial report. The reviews are conducted in accordance with Australian Auditing Standard ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity.*  These voluntary arrangements enable the Commission to comply with its own financial regulations. The services are provided free of charge, or for a nominal fee, as part of the ANAO's commitment to the provision of independent public sector audit services.

When the previous arrangement reached its conclusion at the end of 2012, the Executive Secretary of the Commission wrote to the Auditor-General asking for a two-year extension of these voluntary arrangements. In considering the request, the Auditor-General will develop an engagement strategy.

Once the Auditor-General and the Executive Secretary have consulted and agreed on the terms of engagement, the ANAO will review the Commission's financial report in February and March 2014 and 2015.

The terms of engagement typically require the ANAO to provide a conclusion (not an audit opinion), in the form of an 'Independent Assurance Practitioner's Review Report' to the Commission, as to whether anything has come to the ANAO's attention which would cause the ANAO to doubt whether:

- the Commission's financial report is based on proper accounts and records
- the financial report is in agreement with the accounts and records, or
- the income, expenditure and investment of moneys and the acquisition and disposal of assets by the Commission during the year were in accordance with the Commission's financial regulations.

**REPORT ON PERFORMANCE** 

# PROGRAM 2.1—PERFORMANCE AUDIT SERVICES

#### **Performance audits**

A performance audit is a review or examination of the operations of an entity. The objectives of a performance audit are twofold. The first is to provide Parliament with assurance relating to the administration of Australian Government entities and programs, including programs that involve Commonwealth partners. The second is to assist public sector managers by identifying and promoting better administrative and management practices.

Performance audits may be cross-agency (examining particular themes or common aspects of administration across several entities) or agency specific, and may include an examination of one or more of the following:

- economy (minimising cost)
- efficiency (maximising the ratio of outputs to inputs)
- effectiveness (the extent to which intended outcomes are achieved)
- legislative and policy compliance.

The Auditor-General Act authorises the Auditor-General to conduct a performance audit of an Australian Government agency or a Commonwealth authority or company or any of their subsidiaries. The Auditor-General may also conduct a performance audit of a fully owned government business enterprise or its subsidiaries, if the responsible minister, the Minister for Finance or the Joint Committee of Public Accounts and Audit (JCPAA) requests the audit.

The Act also authorises the Auditor-General to conduct a performance audit of a Commonwealth partner. Commonwealth partners include contractors and state and territory bodies that have received money to achieve a Commonwealth purpose and have agreed to use the money in achieving that purpose or have entered into a contract which relates to that purpose. Audits of Commonwealth partners that involve state or territory governments must be requested by the JCPAA or responsible minister.

To increase the ANAO's engagement with the Australian public and to help ensure that performance audits are well informed and consider relevant areas of inquiry, the ANAO introduced a citizen's input facility in 2012–13. The facility enables the ANAO to establish an electronic mailbox for each audit that allows members of the public to provide information for the audit team to consider. The introduction of the facility also aligns with broader Australian Government initiatives to promote the use of technology to encourage transparency of government, to enable the public to inform policy more directly, and to provide better access to government information.

#### Audits and related activities undertaken in 2012–13

Each year, the ANAO develops and publishes its audit work program. The program provides a portfolio-level view of the ANAO's audit strategies and audits in progress at July, as well as a rolling program of potential audit topics. While not all the audits listed will be commenced, the publication assists the Parliament and Australian Government entities by providing a clear indication of the ANAO's areas of interest.

The audit work program is based on an assessment of the changing Australian public sector environment and the operations of entities, and the ANAO's understanding of the expectations of government and the views of parliamentary committees. This input helps to ensure that the ANAO's audit services meet the needs of the Parliament and public sector entities. The Auditor-General Act requires the Auditor-General to consider the audit priorities of Parliament, as determined by the JCPAA. However, the Act also provides the Auditor-General with sole discretion in deciding audit topics and the way in which audits will be conducted. When the ANAO prepares its work program it takes into account risks, financial materiality, program significance, audit impact, program visibility and the extent of recent audit and evaluation coverage.

In identifying the potential audit topics to be included in the Audit Work Program 2012, the ANAO considered:

- performance audit work undertaken in previous years—in particular, areas of public administration where significant shortcomings were identified, such as grants administration
- emerging issues in public administration—for example, the changing nature of Commonwealth, state and territory funding arrangements and their implementation.

The Auditor-General receives requests from individual parliamentarians, parliamentary committees, organisations and members of the public to conduct audits and/or investigations about elements of public administration. The ANAO will seek additional information where necessary to inform the Auditor-General's consideration of those requests within his mandate; for example, by making inquiries to the relevant Australian Government agency.

In 2012–13, requests received by the Auditor-General included the following:

- Senator Simon Birmingham—in response to this request, the ANAO tabled Audit Report No.32 2012–13, Grants for the Construction of the Adelaide Desalination Plant
- Mr Jamie Briggs MP, in relation to
  - the Supported Accommodation Innovation Fund—the ANAO consequently tabled Audit Report No.41 2012–13, *The Award of Grants Under the Supported Accommodation Innovation Fund*
  - the Department of Health and Ageing's mail-out to aged care workers and providers
    regarding the Australian Government's proposed Aged Care Workforce Compact—an audit
    was not undertaken as the department completed its own review of the campaign and took
    action to rectify the review's findings
  - the Schoolkids Bonus advertising campaign and the development and use of promotional kits as part of the campaign—as a consequence, the use of the kits was included in the scope of Audit Report No.54 2012–13, *Administration of Government Advertising Arrangements: August 2011 to March 2013*
- the Hon Peter Dutton MP and Mr Alan Tudge MP, about the Australian Government advertising campaign on Commonwealth funding of Victorian hospitals—the campaign was consequently included in the scope of Audit Report No.54 2012–13, Administration of Government Advertising Arrangements: August 2011 to March 2013
- Senator Christine Milne and Senator the Hon Richard Colbeck, regarding the Tasmanian Forest Contractors Exit Assistance Program and payments made under the Tasmanian Forests Intergovernmental Agreement—the proposed audits were not undertaken due to previous audit coverage in the area and existing audit work program commitments.
- Senator the Hon Bill Heffernan, as Chair, Senate Standing Committee on Rural and Regional Affairs and Transport, regarding:
  - the committee's recommendation in its report *The Management of the Murray–Darling Basin*, which recommended that the ANAO review the Nimmie-Caira proposal<sup>1</sup>—a review was not undertaken as it had the potential to delay the Nimmie-Caira negotiations and

<sup>1</sup> Under the Nimmie-Caira proposal, the New South Wales Government intended to use Commonwealth funding to purchase the land and water entitlements of a group of 19 privately owned properties on the lower part of the Murrumbidgee River.

would be a more resource-intensive process than a review or audit of the outcome of relevant government processes

- information technology procurement practices within the Civil Aviation Safety Authority an audit was not undertaken but certain issues raised will be considered by the ANAO in the context of the development of its future forward work programs
- Senator the Hon Richard Colbeck, in relation to the effectiveness of the Department of Agriculture, Fisheries and Forestry's (DAFF's) monitoring and implementation of ANAO and internal audit recommendations—the ANAO indicated that DAFF would be considered for inclusion in future cross-entity audits of the implementation of ANAO recommendations
- Mr Robert Oakeshott MP, regarding:
  - the formation of the Tax and Transfer Policy Institute—the ANAO made enquiries of the Department of the Treasury and addressed issues relating to the process for granting funds for the establishment of the institute
  - government research funding—the ANAO made preliminary enquiries of the Department of Sustainability, Environment, Water, Population and Communities and decided not to undertake further work in relation to the matters raised
- Senator Sean Edwards regarding unspent Commonwealth funds held by the South Australian Government for the Gawler Rail Line Modernisation Project—an audit was not undertaken in view of a pending decision by the Minister for Infrastructure and Transport concerning the unspent funds
- the Australian Nursing Federation (Victorian Branch), regarding the allocation and distribution of state and Commonwealth funding for Victorian public hospitals—an audit was not undertaken but details of the funding arrangements were provided to the federation.

Also, in response to requests from Senator the Hon Richard Colbeck and Senator the Hon David Johnston, respectively, the ANAO commenced an audit of the administration of the Mersey Community Hospital agreements and an audit of the Air 8000 Phase 2 C27J Spartan Battlefield Airlifter. The reports of those audits were tabled in August 2013.

The audit of the administration of the Mersey Community Hospital agreements is the first audit involving a Commonwealth partner. It involves the Commonwealth Department of Health and Ageing, the Tasmanian Department of Health and Human Services and the Tasmanian Health Organisation – North West.

Responses to the ANAO's 2011 Survey of Parliamentarians indicated that the conduct of follow-up work to determine whether performance audit recommendations had been implemented as agreed would improve the ANAO's services to parliamentary committees. Further, at separate hearings of the Senate Foreign Affairs, Defence and Trade References Committee in 2011 and 2012, committee members expressed interest in the ANAO conducting audits of agencies' implementation of ANAO audit recommendations. Consequently, the ANAO tabled two performance audits examining the implementation of performance audit recommendations in 2012–13:

- Audit Report No.25 2012–13, Defence's Implementation of Audit Recommendations
- Audit Report No.53 2012–13, Agencies' Implementation of Performance Audit Recommendations.

Audit Report No.53 2012–13, Agencies' Implementation of Performance Audit Recommendations, was extended to include the Department of Infrastructure and Transport in response to a recommendation made by the JCPAA in its report *Report 430: Review of Auditor-General's Reports Nos. 47 (2010–11) to 9 (2011–12) and Reports Nos. 10 to 23 (2011–12)*. The audit also included the Department of Education, Employment and Workplace Relations; the Department of Families, Housing, Community Services and Indigenous Affairs; and the Department of Finance and Deregulation.

# CASE STUDY

Concurrent audit of the implementation of the National Partnership Agreement on Homelessness

In May 2013, the ANAO presented to the Parliament Audit Report No.31 2012–13, *Implementation of the National Partnership Agreement on Homelessness*.

The audit was undertaken in response to an agreement reached by the Australasian Council of Auditors-General to increase collaboration, where appropriate, in the conduct of performance audit topics that have a national dimension. The National Partnership Agreement on Homelessness (NPAH) was chosen as the topic for the first concurrent audit, and six state and territory Auditors-General have completed similar audits.

The objective of the ANAO's audit was to examine the effectiveness of the Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA's) administration of the NPAH, including monitoring and reporting of progress against the objective and outcomes of the agreement. The ANAO, in preparing its report, considered the findings of the reports completed by the state and territory Auditors-General.

During the audit the ANAO consulted with FaHCSIA, a range of stakeholders delivering homelessness services, state and territory government agencies responsible for the coordination of homelessness services in their jurisdictions, and the state and territory audit offices.

Through the implementation of the NPAH, over 180 new or expanded homelessness initiatives were funded to provide a range of different services. However, the Government's expected 7 per cent reduction in homelessness by 30 June 2013 is not expected to be achieved. While the NPAH was one of the early national partnerships to be agreed, its implementation has highlighted a number of policy and implementation issues for further consideration by the Australian Government.

The ANAO made one recommendation aimed at strengthening the administrative arrangements for potential future funding arrangements for homelessness involving the delivery of services by the state and territory governments. It was also noted in the report that the issues raised are matters which may require broader consideration by the Australian Government in respect of other future funding arrangements that operate at a national level. The department agreed with the recommendation.



The ANAO works hard to attract quality applicants to its graduate program, such as Shelley He (pictured). Shelley works in the Performance Audit Services Group, where graduates contribute to providing assurance to Parliament on the administration of Australian Government programs, and identifying and promoting better administrative and management practices.

#### Issues identified in 2012-13

In 2012–13, 51 performance audits were tabled, involving all Australian Government portfolios. Appendix 2 includes a summary of each performance audit tabled in 2012–13.

Performance audit reports convey the diversity of Australian Government programs and services and in many ways were complimentary about the standard of public administration. However, they also highlighted recurring shortcomings. An analysis of our reports tabled in the last two financial years identified the following areas for improvement in administration:

- closer adherence to the Australian Government's grants policy framework, including record keeping in relation to grants assessment processes and the adequacy of advice to ministers in relation to funding decisions
- the development and implementation of meaningful key performance indicators to measure program effectiveness, including for programs implemented through Council of Australian Governments arrangements
- > the nature, scope and extent of external reporting on program performance
- the effective management of risk, including risk identification and monitoring.

Table 3 outlines the common areas for improvement identified in performance audits tabled in 2012–13, in relation to grants administration, performance management and reporting, and risk identification and monitoring.

Element of performance	Areas for improvement		
Grants administration	Recording and retaining the assessments of grant applicants against the program eligibility and merit criteria.		
	Applying rating scales to grant proposals to better differentiate the applications against the eligibility and merit criteria.		
	Better informing and supporting advisory panels, committees and peak bodies involved in assessing grants applications, in particular to facilitate the recording of deliberations and decisions.		
	Developing and reporting against performance indicators which are based on the program's objectives.		
	Providing relevant advice to ministers regarding:		
	applicants' rankings against merit and eligibility criteria		
	<ul> <li>the process for approving projects in addition to or instead of those recommended by departments.</li> </ul>		
Performance management and reporting	Developing key performance indicators which can be reliably informed with timely and reliable data.		
	Defining the responsibility and method for collecting the data to inform performance measures.		
	Developing an evaluation strategy to measure the effectiveness of the program in achieving its objectives.		
	Providing clear and transparent reporting on performance and program effectiveness to key stakeholders.		
Risk identification and	Integrating risk management into program planning and monitoring approaches.		
monitoring	Adopting a structured approach to monitoring existing and emerging risks.		
	Aligning strategic and operational risks.		

#### TABLE 3: COMMON AREAS FOR IMPROVEMENT IDENTIFIED IN 2012-13 PERFORMANCE AUDITS

Developing and implementing an effective performance measurement framework to assess whether program objectives and outcomes are being achieved continues to be identified in performance audits as an area with significant potential for improvement. The common shortcomings include a lack of reliable, relevant and timely data to inform performance outcomes. Australian Government entities would benefit from determining the performance framework during the planning phase so that mechanisms to collect reliable information can be developed during program implementation. Performance measures should reflect the Government's objectives so as to better inform decisions on the potential continuation, expansion or discontinuation of programs.

The ANAO is building its capacity to audit emerging areas of public administration, in particular the changing nature of Commonwealth, state and territory funding arrangements through the implementation of National Partnership agreements. The ANAO tabled four audits in this area in 2012–13. Common areas for improvement identified in those audits were: assessing the effectiveness of programs, and planning for the capture of data to inform program performance outcomes.

#### Number, duration and cost of performance audit reports

In its 2011–12 Annual Report, the ANAO identified a number of strategies to address the obstacles it had encountered in achieving its 2011–12 targets. These strategies included streamlining the ANAO's reporting process and developing greater team flexibility. As a result, in 2012–13:

- > a dedicated publications unit was established to support the report publications process
- more flexible working arrangements were introduced, involving the movement of analysts between branches to meet emergent requirements.

Consistent with the *2012–13 Performance Audit Services Group Business Plan*, other changes were introduced to assist with the delivery of the program. These included planning more tightly, focusing audits and targeting the more significant issues in audits in public administration.

These changes also assisted the ANAO to reduce the average cost and length of time taken to complete audits, as shown in Table 4. The cost is calculated on a cost-recovery basis using an accrual-based costing model.

#### TABLE 4: NUMBER, COST AND DURATION OF PERFORMANCE AUDIT REPORTS, 2010–11 TO 2012–13

Year	Number of per	formance audits	Time taken t repor	to complete ts (months)	Cost per re	eport (\$m)
	Target	Result	Average	Range	Average	Range
2012–13	52	51	11.4	2.9–21.2	0.39	0.2–0.7
2011–12	55	52	12.3	4.5–19.8	0.46	0.2–0.9
2010–11	47	47	12.2	1.3-24.3	0.42	0.2-1.0

#### **Responses from audited entities**

ANAO performance audits make recommendations to improve the administration, accountability and service delivery of the audited entity. Entities are not required to implement the recommendations of performance audits. However, where an agency has agreed to a recommendation, implementation of that recommendation should be timely and in line with its intended outcome to achieve the full benefit of the recommendation.

In 2012–13, 99 per cent of the recommendations made by the ANAO were fully agreed by the relevant agencies. Table 5 provides details of the recommendations made and agreed to in the past three financial years.

# TABLE 5: AGREEMENT TO RECOMMENDATIONS IN PERFORMANCE AUDIT REPORTS, 2010–11 TO 2012–13

Year	Recommendations (no.)	Recommendations fully agreed (%)	Recommendations agreed with some qualification (%)	Recommendations not agreed (%)
2012–13	98	99.0	1.0	0.0
2011-12	144	95.1	4.9	0.0
2010-11	143	95.1	4.2	0.7

#### **Assurance reviews**

In addition to performance audits and financial statement audits, the Auditor-General may undertake other assurance activities. These generally consist of reviews undertaken by agreement with the auditee, either at the request of the auditee or in response to requests from stakeholders such as ministers or parliamentary committees.

#### Key performance indicator pilot project

An amendment made to the Auditor-General Act in December 2011 provided explicit authority for the Auditor-General to audit both the appropriateness of Australian Government entities' key performance indicators (KPIs) and the reporting by those entities against the KPIs.

In 2012–13, the ANAO commenced a pilot project to assess the status of the Australian Government's performance measurement and reporting framework as a basis for the implementation of a future program of audits of entities' KPIs, and to develop a suitable audit methodology. Four Australian Government entities participated in the pilot.

Audit Report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework—Pilot Project to Audit Key Performance Indicators*, was tabled in April 2013. A summary of the report is in Appendix 2.

#### Major projects report

Since 2007–08, the ANAO has conducted an annual assurance review of the Defence Materiel Organisation's annual report on the major equipment acquisition projects of the Department of Defence (Defence). This arrangement was initiated and supported by committees of the Parliament as part of a cooperative effort to improve transparency and public accountability for major Defence acquisitions.

The original intention was for the ANAO to report on up to 30 major projects. In the first report, tabled in 2007–08, the ANAO reported on nine projects. In the fifth and most recent report, Audit Report No.15 2012–13, *2011–12 Major Projects Report*, the ANAO reported on 29 projects. The report is summarised in Appendix 2.

An amendment made to the Auditor-General Act in December 2011 enabled the JCPAA to identify particular assurance reviews as 'priority assurance reviews'. In February 2012, the JCPAA identified the review of Defence major projects as a priority assurance review. This means that the ANAO has full access to the information-gathering powers under the Auditor-General Act when conducting the review, and does not require the agreement of the Defence Materiel Organisation to conduct the review.



The ANAO conducts an annual assurance review of major Defence equipment acquisition projects such as the acquisition of the MH-60R Seahawk naval combat helicopter.

#### **Better practice guides**

Each year, the ANAO prepares a number of better practice guides which aim to improve public administration by sharing better practice and providing practical guidance. They may be developed in response to an identified need for guidance in a particular area of public administration. They may also be prepared as a result of the conduct of an ANAO performance audit which indicates a new and/or challenging area of public administration in which guidance would be useful.

The ANAO published three better practice guides in 2012–13, on: public sector internal audit, preparation of financial statements by public sector entities, and human resource information management systems. These guides replace existing guides and provide revised guidance in these areas. Table 6 provides a summary of the better practice guides published in 2012–13.

A further guide on public sector corporate governance scheduled for completion in 2012–13 will now be completed in 2013–14, and take into account the requirements of the new *Public Governance, Performance and Accountability Act 2013.* 

#### TABLE 6: BETTER PRACTICE GUIDES PUBLISHED IN 2012–13

Title	Description
Public Sector Internal Audit 28 September 2012	Internal audit processes and audit committees both play important roles in the good governance of public sector agencies. This guide, which has a public sector orientation, is intended to be a reference document for chief executives, boards, members of audit committees, managers with responsibility for internal audit activities, and internal audit staff. It replaces the guide to internal audit that was issued in 2007, and complements the guide to public sector audit committees that was issued in September 2011.
Preparation of Financial Statements by Public Sector Entities 19 June 2013	Effective financial management is critical to public sector entities being able to meet their policy and service delivery responsibilities. An important aspect of financial management and stewardship, and the primary mechanism by which entities meet their financial accountability obligations, is the preparation and publication of annual audited financial statements in entities' annual reports. This guide updates and replaces the guide to the preparation of financial statements that was issued in June 2009. It includes a checklist to help entities satisfy the reporting requirements for financial statements that result from machinery of government changes, and provides further guidance on reporting by chief financial officers and using the work of service organisations.
Human Resource Management Information Systems: Risks and Controls 20 June 2013	<ul> <li>While there are many efficiencies gained through the use of automated systems to support human resource (HR) management, establishing and monitoring internal controls over HR functions are important management considerations—especially if agencies are to provide an assurance of the reliability of their HR information, comply with legislation, and effectively and efficiently support business operations. This guide aims to assist HR system managers and practitioners to implement better practices, by: <ul> <li>providing an overview of significant risks and controls that are relevant to key HR functions</li> <li>outlining the important role of both system and manual controls in maintaining the integrity and confidentiality of HR information</li> <li>providing better practice examples for implementing controls for the PeopleSoft, SAP and Aurion HRMIS, which are systems commonly used by Australian Government agencies.</li> </ul> This guide updates and replaces the guide to HR information systems that was issued in 2011.</li></ul>

# **REPORT ON PERFORMANCE**

## SHARED COMPONENTS

#### **Assistance to Parliament**

The ANAO supports the work of the Parliament by providing independent assurance and opinion, including information and assistance, to ministers, shadow ministers and other parliamentarians and to parliamentary committees, particularly the JCPAA. This includes briefings on audit reports tabled in Parliament and the contribution that the implementation of audit recommendations can make to improvements in public administration.



Auditor-General Ian McPhee, Group Executive Director Andrew Pope and Executive Director Stuart Turnbull at a public hearing of the JCPAA.

#### Joint Committee of Public Accounts and Audit

The purpose of the JCPAA has remained essentially unchanged since it was first established in 1913: to hold Commonwealth agencies to account for the lawfulness, efficiency and effectiveness with which they use public monies. Among its responsibilities, the committee considers the operations and resources of the ANAO. The committee is also required to review all ANAO reports which are tabled in Parliament and to report the results of its deliberations to both houses of Parliament. The JCPAA's primary purpose in reviewing audit reports is to assess whether audited agencies have responded appropriately to the Auditor-General's findings.

In 2012–13, officers of the ANAO attended private briefings and public hearings as part of the JCPAA's review of audit reports. The JCPAA completed five reviews of the Auditor-General's reports in 2012–13:

- Report 431: Review of Auditor-General's Reports Nos 24 to 32 (2011–12) was tabled on 23 August 2012 and commented on:
  - Audit Report No.29 2011–12, Administration of the Australia Network Tender Process
  - Audit Report No.31 2011–12, Establishment and Use of Procurement Panels
- Report 435: Review of Auditor-General's Report Nos 33 to 55 (2011–12) and No 1 (2012–13) was tabled on 29 November 2012 and commented on:
  - Audit Report No.41 2011–12, National Partnership Agreement on Literacy and Numeracy

- Audit Report No.46 2011–12, Administration of the Northern Australia Quarantine Strategy
- Audit Report No.45 2011–12, Administration of the Health and Hospitals Fund
- Audit Report No.50 2011–12, Processing and Risk Assessing Incoming International Air Passengers
- Audit Report No.1 2012–13, Administration of the Renewable Energy Demonstration Program
- Report 436: Review of the 2011–12 Defence Materiel Organisation Major Projects Report was tabled on 29 May 2013 and commented on Audit Report No.15, 2011–12 Major Projects Report
- Report 437: Review of Auditor-General's Report Nos 2 to 10 (2012–13) was tabled on 29 May 2013 and commented on:
  - Audit Report No.8 2012–13, Australian Government Coordination Arrangements for Indigenous Programs
  - Audit Report No.26 2011–12, Capacity Development for Indigenous Service Delivery
  - Audit Report No.43 2011–12, National Partnership Agreement on Remote Service Delivery
- Report 439: Review of Auditor-General's Report Nos 11 to 31 (2012–13) was tabled on 27 June 2013 and commented on:
  - Audit Report No.17 2012–13, *Design and Implementation of the Energy Efficiency* Information Grants Program
  - Audit Report No.28 2012–13, *The Australian Government Performance Measurement and Reporting Framework—Pilot Project to Audit Key Performance Indicators.*

The reports are available for download via the Parliament of Australia website, www.aph.gov.au.

In addition, the Auditor-General and representatives from the ANAO participate in special annual hearings of the committee. In 2012–13, representatives from the ANAO attended:

- the Annual Public Hearing with the Commissioner of Taxation, which was also attended by representatives from the Australian Taxation Office, the Commonwealth Ombudsman and the Inspector-General of Taxation
- the Public Sector Scrutiny Review 2013, which was also attended by the Commonwealth Ombudsman, the Freedom of Information Commissioner and the Australian Information Commissioner.

The ANAO values the contribution of the JCPAA to improving public sector administration through its inquiries into our audit reports and other topics. The committee has been very supportive of the work undertaken by the ANAO. In particular, the ANAO acknowledges the support and contribution of the chair, Mr Robert Oakeshott MP, during the period of the 43rd Parliament.

#### Other parliamentary committees

Parliamentary committees other than the JCPAA may also conduct reviews which require representatives from the ANAO to appear or provide a written submission. In 2012–13, the ANAO made 32 appearances before and submissions to parliamentary committees. The target was 20 appearances and submissions.

#### **National representation**

As part of its objective to further the profession of public sector auditing, the ANAO engages with state and territory audit offices and relevant Australian professional associations.

#### **Australasian Council of Auditors-General**

The Auditor-General is a member of the Australasian Council of Auditors-General, which comprises the Auditor-General for Australia and the Auditors-General for each Australian state and territory, Fiji, New Zealand and Papua New Guinea. The council's objective is to promote public sector auditing in the Australasian region through exchanges of experiences and ideas, training initiatives, and cooperation.

The ANAO contributes to the council's work by attending business meetings, preparing discussion papers, participating in information exchanges, undertaking an annual benchmarking survey, and conducting peer reviews and training courses.

In 2012–13, staff from the ANAO were active on a number of the council's subcommittees, including the:

- Performance Audit Group
- Audit Quality Assurance Panel
- Practice Management Group
- ▶ Interjurisdictional Information Systems Audit Group.

#### **Executive memberships**

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

- Auditor-General Ian McPhee is a member and deputy chair of the Australian Accounting Standards Board.
- Executive Director David Gray is a member of the INTOSAI Working Group on IT Audit.
- Executive Director Peter Kerr is a member of the CPA Australia ACT Divisional Council.
- Executive Director Carla Jago is the public sector representative on the Audit and Advisory Committee of the Institute of Chartered Accountants Australia.
- Executive Director Brandon Jarrett is a member of the Organisation for Economic Co-operation and Development Audit Committee.
- Executive Director Mark Simpson is a member of the INTOSAI Working Group on Environmental Auditing.

#### Information services

In addition to providing independent assurance to the Parliament, the ANAO supports and advises audit clients on matters that complement its primary role and fall within its area of expertise.

As part of this work the ANAO conducts client seminars to advise on topical and emerging issues, with a focus on improved financial reporting. Client seminars cover changes to the Australian Accounting Standards and the Finance Minister's Orders under the FMA Act and the CAC Act. Two seminars, which were rated highly by participants, were delivered via a web-based format in 2012–13.

During the year, ANAO 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 3.

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

- ► AUDITFocus captures lessons from audit work that are likely to be of general interest and application to entities. The two editions published in 2012–13 included articles on grants administration and reporting, better practice public sector internal audit, procurement practices, and the 2011–12 interim financial statement audit results.
- Opinions provides audit clients with information on developments in financial reporting together with details of recent performance audit activity and our better practice guides. Four editions were published in 2012–13.

Both newsletters are available from the ANAO's website.

The ANAO maintains a web-based portal to support firms providing contract audit services. The website provides contractors with access to relevant ANAO policies, templates and technical guidance material.

#### International representation and support to developing nations

The Auditor-General and selected staff attend international conferences, contribute to workshops, participate in short-term placements and prepare research papers.

The ANAO has made a commitment to deliver 40 engagements that contribute to public sector auditing and support developing nations. In 2012–13, the ANAO delivered 59 engagements across its range of international activities to meet this commitment.

#### Supreme audit institutions and international visitors

Engagement with other supreme audit institutions (SAIs) allows the ANAO to share knowledge and information and contribute to international dialogue about best practice public administration and developments in public sector auditing.

The ANAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI), and maintains representation on two regional groupings:

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

The ANAO also responds to requests from SAIs directly, including by hosting delegations, providing information and participating in surveys.

During 2012–13, the ANAO also:

- contributed to the review of the International Standards of Supreme Audit Institutions
- participated in ASOSAI projects regarding fraud and corruption prevention
- responded to requests from other SAIs for written advice on topics, including quality assurance processes, specific audit-related topics, human resource management, and remuneration
- sent a representative to attend a meeting of the INTOSAI Working Group on Environmental Auditing in Estonia

- provided briefings to delegations from the Bangladesh Ministry of Finance and the Indonesian Ministry of Finance
- hosted visits by officers from the Canadian and New Zealand audit offices and representatives from the State Audit Office of Vietnam.

The Auditor-General contributes to developing and maintaining these relationships by personally participating in international activities. In 2012–13, the Auditor-General:

- > attended the ASOSAI Global Working Group meeting in Tokyo, Japan
- met with the Auditors-General of Afghanistan, Brunei and Malaysia and the Deputy Auditors-General of China and Thailand
- met with delegations from the parliaments of Afghanistan and Laos and the Kenyan Commission for the Implementation of the Constitution.

#### **Development cooperation**

Through a Strategic Partnership Agreement with the Australian Agency for International Development (AusAID), the ANAO participates in Australia's international aid program to assist and support other SAIs to build their institutional capacity. The agreement recognises the Australian Government's strategic whole-of-government approach to enhancing good governance as an integral part of meeting development challenges, reducing poverty and protecting Australia's national interests. The ANAO participates in AusAID-funded programs in Indonesia and Papua New Guinea.

#### INDONESIA

The Australia Indonesia Government Partnerships Fund (GPF) is a whole-of-government program that facilitates and strengthens government-to-government partnerships and policy dialogue between Australia and Indonesia, in the pursuit of economic and public sector development.

The ANAO and the Indonesian Board of Audit (BPK) participate in the GPF program. Through the program, the ANAO provides assistance to contribute to strengthening the BPK's performance and financial statement audit capacity.

The ANAO's activities under the GPF program fall within four streams: institutional leadership engagement; senior management engagement; technical assistance; and support for the secretariat of the Indonesian Parliament's Audit Committee, the BAKN (equivalent to the JCPAA in Australia). A senior ANAO staff member is deployed to the BPK to offer performance audit support and advice. The ANAO also assists with staff visits and short-term staff placements between the JCPAA and the BAKN.

In 2012–13, the ANAO's activities under the GPF program included:

- work to strengthen quality assurance processes within the BPK
- advice and assistance on managing contracted audit services
- support for performance audit reporting, including the development and delivery of performance audit training
- assistance with issues related to financial audit
- support to develop and maintain relationships between the BPK and the Indonesian Parliament.

# CASE STUDY

International relationships—Indonesian Board of Audit

In conjunction with AusAID and the Department of Foreign Affairs and Trade, the ANAO supports programs to strengthen governance in developing nations. As the experience of Paul Nicoll demonstrates, as well as assisting countries in our region those activities can be valuable development opportunities for the ANAO officers involved.

Paul was posted to Indonesia in late 2009, to lead a project of reciprocal visits between ANAO officers and officers of the Indonesian Board of Audit (BPK). Although the ANAO has welcomed secondees from the BPK in the past, Paul is the first officer from the ANAO to be posted to Indonesia.

Paul observes that the two organisations share common objectives. The ANAO and the BPK have very large audit programs and challenges, which include the need to try and meet public, parliamentary and political expectations. Both the ANAO and the BPK are focused on the best way to manage these challenges.

Paul's duties are varied, and frequently involve travelling to various regions—as well as attending meetings at the BPK head office, he visits BPK offices in the provinces to present workshops and attend conferences. Summing up his experience so far, Paul says:

Indonesia is a fascinating country. The people are warm and hospitable. My wife and I enjoy living here ... I would like to think that this program for cooperation between the two supreme audit institutions can continue for many years into the future and that more of our ANAO staff and BPK colleagues can benefit from the opportunities that this AusAID program affords. The personal and professional exchange between the two audit institutions works in both directions. The ANAO hosts visits to Canberra by BPK officers, to assist the BPK to strengthen its performance audit and financial audit capacity. These visits provide opportunities to engage at senior management levels, exchange ideas and foster the relationship between the ANAO and the BPK.

areat teamyork

In addition, the ANAO provides support to the Indonesian Parliament's Audit Committee (BAKN), Indonesia's equivalent to the Joint Committee of Public Accounts and Audit (JCPAA), by facilitating the secondment of BAKN staff to the JCPAA. Now the Indonesian Parliament is equipped to review the many audit reports that the BPK produces—around 1,600 each year.

#### PAPUA NEW GUINEA

The ANAO has maintained links with the Papua New Guinea Auditor-General's Office (AGO) since the 1970s. Currently, the ANAO participates in two AusAID-funded programs in Papua New Guinea:

- Strongim Gavman Program
- Papua New Guinea–Australia Audit Office Twinning Scheme.

Through the Strongim Gavman Program, the ANAO has been providing advisers to the AGO since 2004. Two senior ANAO staff members are currently based in the AGO: a senior adviser to the Auditor-General and a performance audit adviser.

The goal of the Papua New Guinea–Australia Audit Office Twinning Scheme is to improve governance in Papua New Guinea by strengthening the performance of the AGO. Under the scheme in 2012–13:

- secondees from the AGO participated in the ANAO's graduate program
- managers from the AGO were placed in the Queensland Audit Office
- ANAO staff provided technical assistance on financial statement audit while placed in the AGO for periods of approximately six weeks
- ANAO officers provided technical support for the development of performance audit capability through visits to the AGO.

#### **Peer reviews**

A feature of the international relationships between SAIs is an arrangement whereby an audit office may request a review of its operations by an international peer. Peer reviews provide an opportunity for SAIs to share ideas and experiences of best practice, benefitting both the review team and the institution under review. Participation in international peer reviews also assists the ANAO to support best practice and quality assurance.

Over recent years the ANAO has been involved in peer reviews of the audit offices of Canada, India and New Zealand.

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 2012–13, the ANAO reviewed two New Zealand Audit Office audits and prepared a report to the New Zealand Auditor-General.

#### Stakeholder satisfaction

Feedback from stakeholders assists the ANAO to improve the quality and effectiveness of its audit services, providing an insight into the effectiveness of current practice and informing the development of new audit practices and approaches.

#### **Client surveys**

The ANAO conducts an annual survey to gain feedback from entities on the conduct of the audit of their financial statements for the previous financial year. The report on the conduct of the audit

of 2011–12 financial statements presented the views of 158 entities. The survey results showed that 90 per cent of respondents acknowledged that ANAO services added value, and 93 per cent acknowledged that ANAO staff had the required understanding and skills to perform their audits. The responses to the 'overall quality' and 'value of outcome' measures were positive, with the ANAO receiving ratings ranging from 79 per cent to 88 per cent.

After each performance audit report is tabled, the ANAO seeks feedback on the audit process by means of a survey and an interview with the responsible manager of the audited entity. The survey is completed by an independent firm of consultants engaged by the ANAO. Key matters on which feedback is sought include the audit process; audit reporting; and the value of the ANAO's performance audit services more generally.

The response rate from auditees surveyed for the 2012–13 reporting period was 74 per cent, a small reduction from 75 per cent in 2011–12. Overall, the client survey indicated that respondents were generally positive about their experiences with the ANAO, an outcome consistent with performance in previous years (the ANAO was assigned a score of 75 in 2012–13 compared to 77 in 2011–12). More specifically, the proportion of respondents that acknowledged the value added by ANAO services was 78 per cent (compared to 91 per cent in 2011–12). The percentage of respondents that considered the auditors had demonstrated the professional knowledge and audit skills required to conduct the audit was 90 per cent (up from 85 per cent in 2011–12).

#### **Feedback from Parliament**

The contribution of performance audit services to the work of the Parliament is reflected, in part, by the ANAO's appearances before and submissions to parliamentary committees. Parliamentary committee reviews of audit reports give entities an impetus to implement audit recommendations, and contribute to the overall improvement of public administration resulting from performance auditing. In 2012–13, the committees continued to endorse the findings of the ANAO's reports.

The ANAO also formally surveys parliamentary stakeholders once every two years. The most recent survey was conducted in 2011–12 and described in that year's annual report.

In 2012–13, the ANAO implemented a number of initiatives in response to the 2011–12 survey, such as:

- including follow-up audits in our forward work plans
- streamlining the email alert system that notifies members of Parliament when a report is to be tabled
- investigating options to improve access to audit reports online
- providing information on recently tabled audit reports, including face-to-face briefings, to a broader range of parliamentary committees
- implementing additional mechanisms to increase awareness of the role and functions of the ANAO among parliamentarians, their staff and other parliamentary officers.

The next parliamentary survey will be conducted in 2013–14.



## **CORPORATE GOVERNANCE**

The delivery of the ANAO's outcomes is supported by a structured corporate governance framework that facilitates the effective management of business initiatives and other corporate activities. Key elements of the ANAO's corporate governance arrangements are outlined in this section.

In addition, this section provides information that addresses the new regulations for annual transparency reporting that were introduced in the *Corporations Legislation Amendment (Audit Enhancement) Act 2012*. Although the ANAO is not legally subject to the transparency reporting requirements, as it does not conduct audits of the entities specified in the Act, we have chosen to voluntarily apply the principles of transparency reporting. Table 7 describes how those principles are reflected in this annual report.

#### **Executive Board of Management**

The Executive Board of Management assists the Auditor-General to meet his statutory responsibilities under the *Auditor-General Act 1997*, the *Financial Management and Accountability Act 1997* (FMA Act) and the *Public Service Act 1999*. The board is responsible for setting and monitoring the ANAO's strategic directions, oversighting key business opportunities and risks, and managing the ANAO's budget and workforce.



The Executive Board of Management. Front (L to R): Steve Chapman, Ian McPhee and Michael Watson. Back (L to R): Ian Goodwin, Andrew Pope, Anya Moore, Barbara Cass, Warren Cochrane and Tom Ioannou. Absent: Mitchell Frost.

The board meets each month. At 30 June 2013, the board's membership comprised:

- ▶ Ian McPhee (Chair), Auditor-General
- Steve Chapman, Deputy Auditor-General
- Warren Cochrane, Group Executive Director, Assurance Audit Services
- Ian Goodwin, Group Executive Director, Assurance Audit Services
- Michael Watson, Group Executive Director, Assurance Audit Services

- Barbara Cass, Group Executive Director, Performance Audit Services
- ▶ Tom Ioannou, Group Executive Director, Performance Audit Services
- Andrew Pope, Group Executive Director, Performance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch
- Mitchell Frost, Chief Finance Officer.

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

#### **Audit Committee**

The objective of the Audit Committee is to provide independent assurance and assistance to the Auditor-General and the Executive Board of Management on the ANAO's risk, control and compliance framework, and its financial statement responsibilities.

The Audit Committee fulfils the requirements of section 46 of the FMA Act, which requires each chief executive to establish and maintain an audit committee.

The Audit Committee met four times in 2012–13. At 30 June 2013, its membership comprised:

- Will Laurie (Chair), external independent member
- Steve Chapman, Deputy Auditor-General
- Warren Cochrane, Group Executive Director, Assurance Audit Services
- Stuart Turnbull, Executive Director, Performance Audit Services.

Observers at 30 June 2013 included Geoff Wilson, Independent Auditor; Mark Harrison, Chief Internal Auditor (Protiviti); Anya Moore, Executive Director, Corporate Management Branch; Brandon Jarrett, Executive Director, Professional Services Branch; Mitchell Frost, Chief Finance Officer; and Linda Gorrell, Senior Director, Professional Services Branch.

Bruce Jones was replaced by Will Laurie as the chair and independent external member in November 2012, having provided many years of valuable service.

#### Information Strategy Committee

The Information Strategy Committee advises the Executive Board of Management on business systems and ICT strategic directions. The committee also provides strategic direction and funding to the IT Projects Governance Group, which is responsible for the implementation of all ICT projects and the alignment of IT service delivery with business requirements.

The committee met four times in 2012–13. At 30 June 2013, its membership comprised:

- Steve Chapman (Chair), Deputy Auditor-General
- ▶ Ian Goodwin, Group Executive Director, Assurance Audit Services
- ▶ Tom Ioannou, Group Executive Director, Performance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch
- Gary Pettigrove, Chief Information Officer
- ▶ Lee Ward (Observer), Unisys Strategic Advisor.

Relevant support staff attend the meetings as observers and provide secretariat support.

#### People and Capability Strategy Committee

The People and Capability Strategy Committee, formerly the People and Remuneration Committee, advises the Executive Board of Management on a range of people and capability matters. It oversees the development and implementation of the ANAO's People and Capability Investment Strategy 2012–15, which includes setting the strategic direction and priorities relating to workforce planning, people management, capability building, staff development and conditions of employment. The committee also makes decisions relating to people and employment framework matters, including setting parameters for the performance assessment scheme and remuneration model.

The committee met six times in 2012–13. At 30 June 2013, the committee's membership comprised:

- Steve Chapman (Chair), Deputy Auditor-General
- Ian Goodwin, Group Executive Director, Assurance Audit Services
- Barbara Cass, Group Executive Director, Performance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch.

Secretariat support is provided by the Senior Director HR.

#### People and Capability Projects Governance Committee

The People and Capability Projects Governance Committee, formerly the Learning and Development Committee, is a subcommittee of the People and Capability Strategy Committee. The committee monitors the implementation of projects and initiatives in the areas of workforce planning, recruitment, learning and development, people management and capacity building. It also provides advice and guidance on human resource management matters.

The committee met six times in 2012–13. At 30 June 2013, the committee's membership comprised:

- Anya Moore (Chair), Executive Director, Corporate Management Branch
- ▶ Ian Goodwin, Group Executive Director, Assurance Audit Services
- Brandon Jarrett, Executive Director, Professional Services Branch
- Mark Simpson, Executive Director, Performance Audit Services
- ▶ Joan Morrell, Business Manager, Assurance Audit Services
- Anne Svarcas, Business Manager, Performance Audit Services
- Christine King, Senior Director HR, Corporate Management Branch.

Relevant support staff attend the meetings as observers and the Director Learning and Development provides secretariat support.

#### **International Steering Committee**

The International Steering Committee assists the Executive Board of Management by providing strategic oversight and coordination of the ANAO's AusAID-funded capacity-building activities relating to Indonesia and Papua New Guinea, and by monitoring all international interactions undertaken by the ANAO. The committee is sponsored by the Deputy Auditor-General.

The committee meets quarterly, with additional meetings as required; it met four times in 2012–13. At 30 June 2013, the committee's membership comprised:

- Andrew Pope (Chair), Group Executive Director, Performance Audit Services
- Puspa Dash, Executive Director, Assurance Audit Services
- Anya Moore, Executive Director, Corporate Management Branch
- Mitchell Frost, Chief Finance Officer
- Ben Sladic, Senior Director, Corporate Management Branch
- Alex McElwee, Director (acting), Corporate Management Branch.

Relevant support staff attend the meetings as observers and provide secretariat support.

#### **Security Committee**

The Security Committee provides independent assurance and assistance to the Auditor-General and the Executive Board of Management on the ANAO's security framework.

The committee met four times in 2012–13. At 30 June 2013, the committee's membership comprised:

- Anya Moore (Chair), Executive Director, Corporate Management Branch
- Ben Sladic, Agency Security Adviser
- Robert Douros, Assistant Agency Security Adviser
- ▶ Gary Pettigrove, Information Technology Security Adviser.

Relevant service group and support branch staff attend each meeting of the Security Committee as observers. The Assistant Agency Security Adviser provides secretariat support.

#### **Environmental Management Committee**

The Environmental Management Committee monitors the implementation of the ANAO's Environmental Management Strategy.

The committee met four times in 2012–13. At 30 June 2013, the committee's membership comprised:

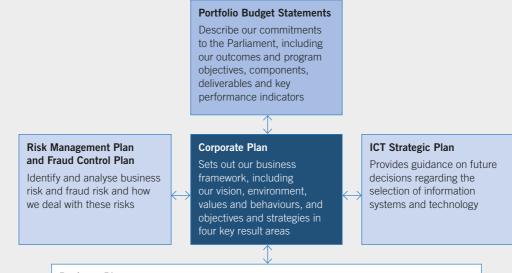
- Anya Moore (Chair), Executive Director, Corporate Management Branch
- Ben Sladic, Senior Director, Corporate Management Branch
- Peter Kerr, Executive Director, Assurance Audit Services
- Sonia Pragt, Director, Performance Audit Services
- Robert Douros, Operations Manager.

The Operations Manager provides secretariat support.

#### Strategic planning framework

Key elements of the ANAO's strategic planning framework for 2012–13 are presented in Figure 3.

#### FIGURE 3: STRATEGIC PLANNING FRAMEWORK



#### **Business Plan**

Sets out outcomes, program objectives and deliverables in terms of products and services and program performance indicators

Describes initiatives to implement Corporate Plan strategies for each key result area

Sets out indicators against which performance outcomes are measured in the annual report and in quarterly reports to the Executive Board of Management

#### Service group and support branch operational plans

Are derived from the Business Plan and service group and support branch risk plans

Describe action items to implement strategies for each key result area

Describe products, services and resources required

Set out indicators to measure service group and support branch performance

#### Individual performance agreements

Contain elements which relate to the key result areas set out in the Corporate Plan and Business Plan

#### **Corporate Plan**

The ANAO's last three-year rolling Corporate Plan expired on 30 June 2013. The plan was the overarching document for all planning and other strategic and operational activities for the three years from 2010 to 2013.

It outlined the ANAO's vision, role and shared values, and set out our objectives and strategies in four key result areas:

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

During 2012–13 we considered ways to improve and streamline our planning and management reporting arrangements. As a result, a new one-page ANAO Strategic Statement was developed to replace the Corporate Plan from July 2013.

#### **Business Plan**

The annual Business Plan was derived from the Corporate Plan in 2012–13; from 1 July 2013 the plan will be produced each year with reference to the ANAO Strategic Statement. The plan outlines the ANAO's Portfolio Budget Statements commitments and key initiatives in support of corporate strategies and key focus areas. All action items from the 2012–13 Business Plan were either completed or are ongoing activities.

#### **Risk management framework**

The ANAO's risk management framework comprises an overarching Risk Management Policy and Risk Management Plan. The Risk Management Plan, reviewed by the Audit Committee, underpins our corporate governance framework. The plan complies with the international standard ISO 31000:2009.

Our risk plans are reviewed and updated annually to identify risks associated with our business objectives, at both strategic and operational levels. 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 particular, we consider:

- Is our vision and direction appropriate?
- > Do our services meet client needs and expectations?
- > Do we have sufficient resources and capacity to deliver our services?

Our reputation for integrity and ethical behaviour is a highly valued corporate attribute, and all significant business risks identified in the Risk Management Plan are considered in the context of reputational risk.

The Executive Board of Management reviews any serious risk incidents each month, and any risk assessed as 'high' or above is monitored as a standard agenda item. All our business risks are reviewed at least annually. There were no serious risk incidents in 2012–13, and all risks with controls in place were assessed as 'medium'.

The ANAO takes part in the annual Comcover Risk Management Benchmarking Survey. In the 2013 survey the ANAO scored 7.9 (the same as the score for 2012), exceeding the peer group survey average of 6.9, which indicates that our risk management regime was better than the peer group average. Our risk management regime was assessed as 'structured'. In 2013, based on the quality of its risk management, the ANAO received an 8.24 per cent discount on its Comcover premium, an improvement compared with a 6 per cent discount in 2012.

#### Emergency and business continuity plans

The ANAO has a comprehensive Business Continuity Plan which establishes policies, procedures and responsibilities to ensure the survival and continuation of key business activities in the event of a business disruption.

#### Fraud control framework

The ANAO maintains a comprehensive fraud control framework, based on a Fraud Risk Assessment and a Fraud Control Plan, in accordance with the requirements of the *Commonwealth Fraud Control Guidelines*. The Fraud Control Plan is linked to the risk management framework and consolidates our fraud prevention and detection initiatives in one document.

Having particular regard to the risk to the ANAO's reputation should fraudulent activity occur, we periodically review the fraud control framework to take into account changes in our operating environment. We also review the Fraud Risk Assessment and the Fraud Control Plan at least every two years.

There were no known incidents of fraud in 2012–13. All fraud risks were assessed and appropriate controls are in place.

The Auditor-General's fraud control certification follows.

Auditor-General for Australia
12 June 2013
Annual Report 2012-13 – Fraud Control Certification
I, Ian McPhee, Auditor-General for Australia, certify that I am satisfied that the Australian National Audit Office (ANAO) has:
• prepared fraud risk assessments and a fraud control plan ;
<ul> <li>put in place appropriate fraud prevention, detection, investigation, reporting and data collection procedures and processes that meet the specific needs of the ANAO; and</li> </ul>
• taken all reasonable measures to minimise the incidence of fraud.
2.7
Ian McPhee
GPO Bax 707 CANBERRA ACT 2601 19 National Circuit BARTON ACT Phone (102) 6203 7500 Fax (02) 6273 5355 Emailian mephec@anao.gov.au http://www.anao.gov.au

#### Information and Communications Technology Strategic Plan

The ICT Strategic Plan 2012–15 guides decisions relating to the selection and management of information services and technology. It is linked to the Corporate Plan and Business Plan, and identifies initiatives from the Business Plan that require technology support to facilitate the delivery of operational benefits.

In October 2012, the ANAO benchmarked its ICT and portfolio delivery services for the 2011–12 financial year using the Australian Government Information Management Office data and cost management survey and the portfolio, program and project management maturity model (P3M3) assessment. The benchmark results demonstrate that the ICT services are efficient and the ANAO has established portfolio and project management processes that continue to deliver business and productivity benefits.

#### 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.

Two conferences were conducted for SES officers during 2012–13, in November 2012 and April 2013. The conferences focused on the development and confirmation of the new ANAO Strategic Statement, validation of changes to the planning framework, and input on key initiatives for the 2013–14 Business Plan.

The November conference included a presentation from Des Pearson, who reflected on his career in the public sector, which included working for 15 years as the Auditor-General of Western Australia, six years as the Auditor-General of Victoria, and a period working at the ANAO.

#### Ethical standards and independence

Our commitment to high ethical and professional standards underpins the quality of our work. For audit professionals, professional independence is a central element of the quality of each audit. It is the avoidance of circumstances that could compromise any member of the audit team's capacity to act with integrity and exercise objectivity and professional scepticism. The ANAO independence policy requires staff engaged in audits to comply with the relevant provisions of APES 110 *Code of Ethics for Professional Accountants* relating to independence. In planning the audit, the audit team must identify and deal with any threats to independence, so that independence in substance and appearance is maintained throughout the audit. There are also robust processes in place surrounding rotation of audit team members. As a general rule, no key personnel in a financial statements audit team for a significant public sector entity shall be a member of the audit team for more than five years within a seven-year period. Compliance with independence arrangements is reviewed annually during the annual quality assurance process.

The ANAO Guide to Conduct, which is part of our induction training, provides information on the conduct expected of all ANAO 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 Guide to Conduct reflects our core values and behaviours and is based on the key elements of 'respect, integrity and excellence'. The guide also recognises the importance of auditing and accounting standards developed by Australian auditing and accounting professional bodies.

#### **Quality Assurance Framework**

The Quality Assurance Framework of the ANAO is supported by policies and procedures that promote an internal culture which recognises that quality is essential in the conduct of audits.

The Auditor-General is ultimately responsible for the system of quality control in place for audits conducted by the ANAO. At a day-to-day level, the Deputy Auditor-General is responsible for ensuring that the system of quality control satisfies the requirements of the ANAO auditing standards. The Deputy Auditor-General is assisted by the Group Executive Directors, who also report at least annually to the Executive Board of Management on audit quality and business management matters.

Internal and external reviews (such as the performance audit *Quality Control Around Financial Statements Audits* described in the 'External audit' section of this annual report) provide important scrutiny and reference points on the effectiveness of our quality framework. Based on the results of internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively, for both financial statement audits and performance audits.

#### **Quality assurance reviews**

The annual quality assurance (QA) reviews of ANAO assurance engagements, including financial statement and performance audits, are designed to provide the Auditor-General with confidence that our audits comply with relevant auditing standards and other legal and regulatory requirements. They also identify opportunities for refinement in audit methodologies and processes.

The QA programs are managed by the Professional Services Branch under the authority of the Deputy Auditor-General. The branch also communicates the results of QA processes to audit staff, and additional training and guidance are provided to support continuous improvement.

#### ASSURANCE AUDIT SERVICES GROUP

In 2012–13, the financial audits of nine executives were reviewed through the inspection of six in-house and six project-managed audits. The QA program did not identify any issues that were indicative of systemic, repetitive or other significant deficiencies across the financial audit business. Audits generally complied with auditing standards. Areas identified for improvement included: evaluation of misstatements, substantive analytical review of selected material balances, using the work of an expert, materiality assessments, auditor's assessment of errors, and communication of misstatements to the management of the entity subject to the audit.

As one of a number of initiatives to support audit quality, the Professional Services Branch undertook a methodology support project to enhance the group's audit quality framework. This project provides real-time expert feedback on the audit approach and compliance with auditing standards in selected areas of the audit.

#### PERFORMANCE AUDIT SERVICES GROUP

The 2012–13 QA program reviewed five tabled performance audits. The reviews identified that the audits reviewed were generally undertaken in accordance with the auditing standards and substantially complied with ANAO policies. Areas that warrant ongoing and in some cases increased attention included: the extent of evidence to support audit findings; the documentation of evidence in the audit file; and quality control requirements, including review and management sign-offs.

The QA program is supported by other initiatives to strengthen the quality framework, including the completion by each audit team of a 'lessons learned' summary that identifies aspects of the audit that went well and areas for future improvement. The learnings are combined with staff presentations on complex and contemporary topics and contribute to the continuous improvement of the performance audit methodology and processes.

#### Internal audit

Ernst & Young completed its contract to provide internal audit services to the ANAO at the end of November 2012. Following a tender process, the ANAO approved Protiviti as the internal audit provider in December 2012. This internal audit activity is overseen by the ANAO Audit Committee, providing assurance on key aspects of the integrity of ANAO systems and processes and identifying opportunities for improvement.

In 2012–13, the ANAO's internal audit program included:

- Financial Controls Compliance (annual review)—Phase One
- > Protective Security Policy Framework (PSPF) Annual Compliance Review
- Payroll and Payment Data Integrity
- ▶ Contractor Compliance with the PSPF.

The internal auditors found that each of the areas examined were operating satisfactorily, with a small number of recommendations designed to improve performance being implemented.

The Financial Controls Compliance (annual review)—Phase One review identified one area of noncompliance in relation to the accidental use of a credit card for private purposes not incidental to business travel or purchasing. In the two instances the cardholders identified and repaid the amounts as part of the credit card acquittal process.

There were no findings made as part of the Protective Security Policy Framework (PSPF) Annual Compliance Review, although some areas of improvement were suggested.

The Payroll and Payment Data Integrity and Contractor Compliance with the PSPF audits are currently in progress.

### **External scrutiny**

The ANAO's operations, processes and reports are subject to periodic independent external review.

#### **Parliamentary committees**

Information on the role of parliamentary committees in 2012–13 is provided in the 'Shared components' section of Part 3 of this annual report.

#### **Courts and tribunals**

No decisions by courts or tribunals affected the ANAO during 2012–13.

#### **Commonwealth Ombudsman**

The Commonwealth Ombudsman made no reports to the ANAO under sections 15, 16 or 19 of the *Ombudsman Act 1976* during 2012–13.

#### **External audit**

Part 7 of the Auditor-General Act provides for the appointment of an independent auditor who undertakes the audit of the ANAO's financial statements and carries out selected performance audits. The independent auditor position is a part-time statutory appointment for a period of at least three years and not more than five years.

Geoff Wilson, National Managing Partner, KPMG Audit and Risk Advisory Services, was reappointed as the independent auditor in 2009.

The ANAO received an unmodified auditor's report on its financial statements for the year ended 30 June 2013.

The independent auditor completed a performance audit, entitled *Quality Control Around Financial Statements Audits*, in June 2013. The report concluded that the ANAO's quality assurance framework in respect of financial statements audits is consistent with the relevant requirements of ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*. Moreover, it noted that the ANAO has demonstrated a strong commitment to both the establishment and implementation of an effective quality assurance framework to support the conduct of financial statement audits. Reflecting the strength of the existing framework, the report did not raise any recommendations for the ANAO. However, the performance audit identified four areas of consideration as potential enhancements for our quality framework. The ANAO was supportive of the four considerations; action on one consideration has been completed and action on the other considerations will be completed in 2013–14.

#### **Transparency reporting**

The *Corporations Legislation Amendment (Audit Enhancement) Act 2012* introduced measures to ensure that Australian audit practice maintains a standard in line with international best practice. They included new regulations for annual transparency reporting by auditors.

Although the ANAO is not subject to the transparency reporting requirements, because we do not conduct audits of the entities specified in the Act, we embrace the principles of transparency reporting. Table 7 summarises the requirements that are relevant to the ANAO, and shows where the required information is presented in this annual report.

#### TABLE 7: TRANSPARENCY REPORTING

Prescribed information <sup>a</sup>	Coverage in the annual report
Description of the auditor's legal structure and ownership	The 'Role' section of Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO. Refer to page 6.
Description of the auditor's governance structure	The 'Corporate governance' section in this Part details the corporate governance framework of the ANAO. Refer to pages 40–50.
Description of the auditor's internal quality control system	The 'Quality Assurance Framework' section in this Part details the ANAO's internal quality framework and internal audit and quality assurance arrangements. Refer to pages 49–50.
	The 'Shared components' section of Part 3 describes external reviews of the ANAO's audits, in particular by parliamentary committees and overseas audit institutions. Refer to pages 31–32 and 37.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality Assurance Framework' section in this Part includes the Auditor-General's statement on the effectiveness of the internal quality control system. Refer to page 49.
The name of each body that is authorised to review the auditor, and the date of the most recent	The 'External scrutiny' section in this Part details the bodies that are authorised to review the work of the ANAO and the external reviews conducted during the year. Refer to page 51.
review of the auditor conducted by each body	The 'Shared components' section of Part 3 also describes external reviews of the ANAO's audits, in particular by parliamentary committees and overseas audit institutions. Refer to pages 31–32 and 37.
The names of the bodies for which the auditor conducted an audit in the reporting year	Appendix 2 details all reports tabled in the Parliament by portfolio during 2012–13 and includes all performance audits undertaken and summary information on the two reports to Parliament relating to our audits of financial statements. Refer to pages 125–158. The year-end report to Parliament on audits of financial statements lists all entities for which financial statement audits were conducted during 2012–13.

Prescribed information <sup>a</sup>	Coverage in the annual report
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Ethical standards and independence' section of this Part details the ANAO's independence framework for audit professionals. Refer to pages 48–49.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Learning and development' section of this Part details the ANAO's education framework for audit professionals. Refer to pages 62–63.
Financial information for the auditor for the reporting year	The 'Financial summary' section of Part 2 provides an overview of the ANAO's financial results. Refer to page 10.
	Part 5 includes commentary on the ANAO's financial performance, as well as the ANAO's audited financial statements. Refer to pages 74–119.
Information on the basis for remuneration of the auditor's senior managers	The 'Pay and conditions' section of this Part details the ANAO's arrangements for performance assessment and performance pay and senior executive remuneration. Refer to pages 60–61.
a Based on the items set out in Schedu	ule 7A of the Corporations Regulations 2001

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

## MANAGEMENT OF HUMAN RESOURCES

The ANAO's approach to managing human resources starts with attracting the right people. We seek to support and develop staff, provide a supportive work environment, and recognise and reward achievements and successes. Key elements of our people management approaches are outlined in this section.

#### Workforce planning

The ANAO's People and Capability Investment Strategy 2012–15 was developed in 2012–13. The strategy was informed by broad consultation, including through the People and Capability Strategy Committee, and aims to align human resource initiatives with business priorities.

Workforce planning is integrated into the ANAO's business planning framework through the People and Capability Investment Strategy and the strategic workforce planning priorities that are established when developing the annual Business Plan. Service groups and branches also develop operational workforce plans to meet their particular requirements.

To inform the development of strategic priorities, the ANAO relies on a detailed analysis of qualitative and quantitative information from a range of sources, such as human resource metrics, exit surveys, staff surveys and staff focus groups. Assessment of 'people risks' with the potential to affect the ANAO's ability to attract and retain skilled staff is an important element of its approach.

At least twice a year, the Executive Board of Management receives reports on workforce planning which include an in-depth analysis of the state of the ANAO's workforce capability. The People and Capability Strategy Committee monitors and evaluates the implementation of a range of strategic priorities articulated in the People and Capability Investment Strategy 2012–15, as well as the progress of service groups and branches in addressing their workforce planning priorities.

#### Recruitment

The ANAO works hard to attract and retain excellent people, particularly in the competitive market for skilled audit staff. Our approach to recruitment is multi-faceted and includes tailored opportunities to attract outstanding graduates and Indigenous candidates.

Challenges to attraction and recruitment include the need for the ANAO to compete for financial statement and IT auditors in a competitive market, the requirement for all staff to have at least base-level security clearances, and skills shortages in the fields of finance and accounting.

#### Vacancies

In 2012–13, the ANAO advertised and conducted 43 individual recruitment rounds: 23 single positions, 19 bulk rounds and the annual graduate program. On average the office received 16 applications per position for single vacancies, and 18 applications per position for bulk rounds (excluding the graduate program, which attracted more than 590 applications). Measured from the closing date for applications to the date of the delegate's decision, the average recruitment process took 28 working days to complete for single positions and 45 working days for bulk rounds.

Recruitment order of merit lists are maintained for general vacancies and are used to fill both ongoing and non-ongoing vacancies. Positions are also filled using the ANAO's temporary employment register. The office also conducts targeted recruitment programs to attract graduates and undergraduates.

Recruitment and selection training is provided to staff who express an interest in participating on recruitment panels. This assists the ANAO to conduct efficient and effective recruitment and selection processes.

#### Staff induction

The ANAO is committed to ensuring that its induction processes assist new staff to become productive and integrated members of the organisation in as short a time as practicable. Effective induction of new starters is also a key factor in retaining staff.

All new employees are automatically assigned to complete our e-Induction course within their first week of employment with the ANAO. To supplement the online course, all new starters participate in a face-to-face induction workshop. Human resources staff and senior staff members from other areas deliver the workshops, which are held every three months.

#### Graduate and undergraduate programs

The ANAO's graduate program is open to university students who are completing their final year of study or have completed a degree within the past five years. In 2013, the ANAO recruited 26 graduates: 13 were placed in the Assurance Audit Services Group, 10 were placed in Performance Audit Services Group, and three joined the IT Audit Branch.

During the 12-month program, the graduates undertake:

- an intensive learning and development program, including technical, people management and general training and skill development
- one short-term rotation (of six to eight weeks) within the organisation, to enhance their overall development and give them an appreciation of the ANAO's broader operations.

In 2012–13, the ANAO also hosted two Papua New Guinean graduates to participate in the graduate development program through the Papua New Guinea–Australia Audit Office Twinning Scheme. This AusAID-funded scheme is in place to develop governance capacity in Papua New Guinea.

The ANAO's undergraduate employment program provides paid part-time practical work experience to people studying accounting at universities in Canberra. During 2012–13, the ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, CPA Australia and the Institute of Chartered Accountants in Australia to recruit students for the program.

Eight students took part in the program during 2012–13. The program is an effective way to transition undergraduates into the ANAO graduate program. One undergraduate was advanced into the 2013 graduate intake and another into the 2014 graduate intake.



Auditor-General Ian McPhee with the ANAO's 2013 graduate program participants.

#### Indigenous recruitment

In 2010, the ANAO committed to a target of 2.7 per cent Indigenous representation in its workforce by 2015. Currently, only 0.6 per cent of our staff have identified as Indigenous. During 2011–12, the office began developing an employment strategy focused on recruiting, developing and retaining Indigenous employees. In 2012–13, the Indigenous Employment Strategy was combined with the ANAO's Diversity Strategy 2013–15 to provide a consolidated set of recruitment strategies.

The ANAO collaborates with other Australian Government agencies so that it can better understand the employment needs of Indigenous Australians. The ANAO participates in the Australian Public Service Commission's Pathways recruitment initiatives for Indigenous graduates, and in the Indigenous Australian Government Development Program. In 2012–13, the ANAO had two employees who identified as Indigenous.

#### Retention

The skilled people who work at the ANAO are highly valued, both within our organisation and in the professional marketplace. Although staff turnover at the ANAO is higher than in other APS agencies, it is in line with turnover in the accounting profession. To retain our skilled and experienced staff, we place high priority on showing them that they are valued, including by rewarding exceptional service and acting on feedback about the ANAO's performance as an employer.

In 2012–13, the ANAO introduced a number of initiatives to enhance staff satisfaction and improve retention, in relation to:

leadership—a new leadership program for SES officers, a revised leadership program for Executive Level officers and the Effective Leadership program for staff at APS levels 5 and 6 were delivered to improve the leadership performance of all managers

- ANAO values and behaviour—a new, compulsory e-learning module on APS and ANAO values was introduced to ensure that all ANAO staff are aware of the need to build a culture where people treat each other with respect and cordiality
- staff recognition and feeling valued—the awards and recognition policy and program of events were reviewed with the aims of raising awareness of the achievements made by staff throughout the year and supplementing the more formal rewards and recognition initiatives by acknowledging people's contributions
- career progression—a career portal was developed; together with the new ANAO capabilities and work level standards, the portal helps staff to see and access the career progression opportunities available within the ANAO.

#### Staff turnover

Overall staff turnover in 2012–13 was 13.2 per cent (ongoing staff only). This result is lower than staff turnover in 2011–12, which was 20.2 per cent. Table 8 provides further details.

#### TABLE 8: DETAILS OF GAINS AND LOSSES (ONGOING STAFF), 2012–13

	Movements to other departments	Resignations	Medical retirements	Voluntary retirements	Other losses	Total losses	Gains
Total	13	20	-	1	10	44	55

Table 9 highlights the differences in length of tenure across the various classifications for ANAO staff.

# TABLE 9: AVERAGE LENGTH OF TENURE BY CLASSIFICATION (ONGOING STAFF) AT 30 JUNE, 2011 TO 2013

Classification	Average	e length of te	nure (years)
	2013	2012	2011
Australian Public Service 1–3ª	8.5	7.8	5.2
Australian Public Service 4–6	3.7	3.4	3.2
Executive Level 1–2	6.4	6.4	6.6
Senior Executive Service	12.6	11.4	12.2
All staff	5.8	5.3	5.3

a Graduates in their first year of service were excluded from APS 1–3 classifications in 2012 and 2013.

#### Awards and recognition

The ANAO supports an awards system that recognises and rewards individual staff and teams who make a significant contribution to achieving its business objectives, including in such areas as client service, people management, business management, and audit management and innovation.

The award system comprises the Auditor-General's Annual Awards for Outstanding Achievement, celebrated in June; the National Australia Day Council's Australia Day Achievement Medallions, celebrated in January; and the Auditor-General's Certificate of Appreciation, which is celebrated throughout the year at service group and branch levels.

Table 10 lists the recipients of achievement awards and medallions in 2012–13.



Australia Day Award recipients (L to R) Mitchell Frost, Lorena Skipper and Brian Boyd, with Auditor-General Ian McPhee.



Recipients of the 2013 Auditor-General's Annual Awards for Outstanding Achievement (L to R) David Sloan, Garry Sutherland, Jennifer Hutchinson and Peter Jones, with Auditor-General Ian McPhee and Deputy Auditor-General Steve Chapman. Absent: Michelle Johnson and Joe Keshina.

Award	Recipient	Reason
Auditor- General's Annual Awards for Outstanding Achievement	Jennifer Hutchinson	For her lead role in developing the criteria to be used to assess the appropriateness of agencies' key performance indicators (KPIs) as part of a small team established within the Assurance Project Branch to undertake a pilot project to develop and test an approach and methodology for auditing the appropriateness of KPIs concurrently with financial statements.
	Michelle Johnson and Joe Keshina	For their considerable commitment to achieving results and providing quality client service to the Parliament, as recently evidenced by their work on two separate audits, in separate agencies, requested by members of Parliament and delivered in short timeframes and to high standards with good management of agency relationships and effective teamwork.
	Peter Jones	For his professional and productive working relationships with auditees, over a sustained period of time, to deliver insightful, high-quality performance audit reports and, most recently, his substantial contribution to the development of an ANAO methodology for the conduct of section 18B Commonwealth partner performance audits through his management of the Mersey Community Hospital audit, which is the first of its type.
	David Sloan	For his initiative in taking the ANAO's 2013 learning and development calendar, combining it with the new ANAO capability framework and transforming both into an interactive, informative, one-stop shop portal available to all ANAO staff looking for information to assist them to identify proficiencies and access relevant learning and development opportunities.
	Garry Sutherland	For his delivery of high-quality audit services, including the development of strong client relationships with a highly complex and significant agency—the Australian Taxation Office—over a number of years, and for his coaching and mentoring of staff as well as his strong support of professional development.
Australia Day Achievement	Brian Boyd	For his consistent delivery of high-quality performance audits, including high-profile and extremely sensitive topics.
Medallions	Mitchell Frost	For his outstanding work in finalising the financial statements in difficult circumstances, his strong leadership, and his high level of professionalism.
	Lorena Skipper	For her high-quality audit services in relation to key public sector agencies over a number of years and for making a major contribution to people development in the ANAO via recruitment, mentoring and coaching staff, and learning and development activities.

#### TABLE 10: RECIPIENTS OF AWARDS IN 2012-13

#### Staff satisfaction

The ANAO places great importance on feedback from its staff, and measures staff engagement through annual surveys. The surveys provide an important source of information on staff expectations, views and perceptions about a range of matters, including job satisfaction, engagement, career advancement, and professional development. Survey results and trends are evaluated to develop a broad spectrum of activities and initiatives that are reflected in key documents such as the ANAO's People and Capability Strategy, Business Plan and service group business plans.

In the past, the ANAO conducted its own staff surveys. In 2012–13, we used the Australian Public Service Commission's Employee Census to gauge staff satisfaction.

Across the survey, the ANAO received positive results, either higher than or similar to the average response for the APS. Key highlights of the responses from ANAO staff included:

- 81 per cent were proud to work for the ANAO
- 74 per cent were satisfied with the ANAO as an employer
- ▶ 85 per cent enjoyed their current work
- 70 per cent believed that the learning and development we provide had assisted them in doing a better job
- 85 per cent were satisfied with access to effective training and development
- ▶ 87 per cent believed that staff act in accordance with ANAO values and behaviours
- ▶ 89 per cent believed that the ANAO encourages ethical behaviour by all its employees.

#### Pay and conditions

In 2012–13, the ANAO's 28 SES staff were employed under common law contracts, while all non-SES staff were employed under our enterprise agreement. Tables A1.1 to A1.4 in Appendix A provide details of our staffing profile.

#### Workplace Consultative Forum

The Workplace Consultative Forum plays an important role in facilitating consultation on a range of operational and strategic issues affecting staff in the workplace. The forum comprises three staff-elected representatives, three union representatives and three management-appointed representatives. In 2012–13, the forum met formally on six occasions to discuss and consider a range of employment-related issues, including a review of human resources policies.

#### Performance assessment and performance pay

The ANAO's Performance Assessment Scheme provided for salary advancement for eligible staff and an outstanding performers award regime. Staff rated as 'outstanding' were eligible for a bonus of up to 7 per cent of salary.

A summary of ratings for the reporting cycle is set out in Table 11. Graduates, casuals, non-ongoing staff with less than 12 months service and ongoing staff with less than six months employment during the performance cycle were not eligible for the financial benefits of the Performance Assessment Scheme.

PART 4

MANAGEMENT AND ACCOUNTABILITY

Rating	Outstanding	More than fully effective	Fully effective	•	Unsatisfactory	Total
ANAO Bands 4 and 5 (EL 1 and 2)	5	54	65	3	_	127
ANAO Bands 1 to 3 (APS 1–6)	4	51	89	10	-	154
Total	9	105	154	13	-	281
Proportion of total	3%	37%	55%	5%	-	

#### TABLE 11: SUMMARY OF PERFORMANCE RATINGS FOR THE PERIOD ENDING 31 OCTOBER 2012

APS = Australian Public Service, EL = Executive Level

In 2012–13, a total of \$0.298 million in performance bonuses was paid to eligible staff (\$0.547 million was paid in 2011–12, under a different performance bonus regime). Aggregated information on performance pay is set out in Appendix 1, Table A1.5.

New arrangements were put in place for the Performance Assessment Scheme, including the financial benefits flowing out of the scheme, as part of negotiating a new enterprise agreement in 2011. The new arrangements replaced performance pay with a salary advancement model applicable to most staff and the outstanding performers award regime. These new arrangements took effect in November 2012.

#### Senior executive remuneration

The salary ranges for SES staff are determined having regard to public sector benchmarks, notably the annual APS remuneration survey. The nature of the work, specific skills and individual contributions to our business outcomes are key factors in setting individual SES salaries. SES remuneration payments are set out under Note 11 of our financial statements.

#### Learning and development

In 2012–13, the ANAO developed and released a number of new initiatives designed to provide staff with a range of learning and development opportunities.

The ANAO developed a suite of new leadership programs, with content ranging from the Introduction to Management Program through to the Strategic and People Management Program for senior executive groups. Three programs were conducted in 2012–13 and received positive feedback from participants.

The ANAO-specific Capability Framework and Work Level Standards, covering classifications from APS Level 2 to Executive Level 2, were developed and released to staff. The capability framework defines the core skills, experience and behaviours required by all non-SES staff. The work level standards describe the relative worth of a classification in achieving the ANAO's objectives, job streams and functional requirements.

The ANAO Mentor Program was refreshed and now includes ongoing information sessions, training and the ability for staff to participate in communities of practice. These forums provide an opportunity for staff to share knowledge and experience.



Performance Audit Services Group staff members Emilia Schiavo and Sally Ramsey at the launch of the ANAO e-learning program.

Our venture into the e-learning area continues to build momentum, and 11 ANAO-developed modules are now available to staff. These are complemented by 10 business skill modules and a suite of IT desktop courses.

To enhance staff access to the broad spectrum of new material and initiatives released in 2012–13, a new learning and development portal was developed on the ANAO's intranet. Staff are able to explore learning opportunities through the 'one-stop shop' portal, which includes a capability-mapping tool that defines proficiency levels and available courses addressing the six core ANAO capabilities.

In 2013–14, the ANAO will continue to blend its e-learning with more traditional methods and expand the e-learning content. We will support and encourage staff participation in our Professional Development Opportunities Package and conduct evaluations with a view to improving our leadership and mentor programs.

Table 12 provides a summary of expenditure on and staff attendance at training programs over the past three financial years.

#### TABLE 12: DETAILS OF STAFF TRAINING, 2010-11 TO 2012-13

	2012–13	2011–12	2010–11
Direct expenditure on training	\$1,112,553	\$1,117,314	\$766,412
Total number of person-days spent by staff on eligible training programs	2,501	2,421	2,160

#### Professional qualifications and studies assistance

During 2012–13, the ANAO supported 69 staff members to undertake programs of professional studies: 48 participated in the Institute of Chartered Accountants in Australia or CPA Australia programs, 17 undertook postgraduate university studies, and four participated in the ISACA Certified Information Systems Auditor program. Table 13 lists staff members who successfully completed ANAO-supported studies during 2012–13.

# **PART** 4

#### TABLE 13: SUMMARY OF STUDIES COMPLETED BY STAFF MEMBERS IN 2012–13

Qualification	Staff member
CPA Australia Certified Practising Accountant Program	Mukesh Bharania, Alexandra Irwin
Graduate Certificate in Management	Rani Austin
Institute of Chartered Accountants in Australia Chartered Accountants Program	Freya Markwell, Archana Moses
Institute of Internal Auditors Australia Certification in Risk Management Assurance	Amanda Reynolds
Master of Public Administration	Jennifer Eddie

The ANAO learning and development program supports ANAO staff to meet continuous professional development (CPD) requirements relating to their membership of professional accounting associations. For staff of the Assurance Audit Services Group this includes:

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

#### Secondment and exchange program

The secondment and exchange program provides opportunities for staff to work in other organisations to enhance their skills and knowledge. Exchange placements provide participants with a range of valuable experiences and are viewed as an important development opportunity by ANAO staff.

The diverse knowledge and experience of incoming program participants, as well as their potential to supplement the workforce during peak periods, brings many benefits to the ANAO.

Details of the organisations and individuals involved in the program in 2012–13 are outlined in Table 14.

Exchange type	Organisation	Participant
ANAO staff working in other organisations	Audit New Zealand	Elizabeth King, Mark Vial
	Auditor-General's Office of Papua New Guinea	Wayne Jones, Jennifer Lenard, Heather Rae, Nicola Rowe, Agnes Tuiai
	Indonesian Board of Audit	Paul Nicoll
	Office of the Auditor General of Canada	Rachael Kris
Staff from other organisations working in the ANAO	Auditor-General's Office of Papua New Guinea	Nolan Apis, Vanessa Kaump
	Audit New Zealand	Cristin Dyer, Ann Kilpatrick
	Office of the Auditor General of Canada	Erin Corbin, Paul LaFrance, Stephane Rivest

#### TABLE 14: SECONDMENT AND EXCHANGE PROGRAM PARTICIPANTS IN 2012–13

# CASE STUDY

Learning and development—e-learning modules

Over recent years, the Learning and Development unit within the ANAO's HR team has offered in excess of 100 classroom training and development courses and/or workshops each year. On average, each ANAO staff member undertakes more than 40 hours of learning and development each year.

Notwithstanding the positive outcomes achieved, the effectiveness of the delivery of face-to-face courses has challenges—they cannot be scheduled during certain months of the year when the audit work program is at its busiest; and staff members may have difficulty attending because they are working in clients' offices or their work commitments change at short notice.

HR recognised that the ANAO needed to find a way in which staff could access training when it was convenient for them to do so, without being required to attend formal sessions on the ANAO's premises. Flexible delivery methods available through online 'e-learning' were identified as a potential option.

The benefits of e-learning can be significant. Individuals can learn at their own pace and at a time of their choosing. Modules can quickly be added or updated. Even for training that must be delivered face to face, such as technical training for auditors, e-learning provides staff with access to learning materials before and after the formal sessions. The digital format makes it easy to track participation, and reduces the environmental and logistical costs of training.

HR refreshed both the content and presentation of applicable courses for the online format, repackaging the staff induction training module, adding 10 business courses and the IT Desktop Training Suite, and introducing modules for topics that staff identified would be useful for them. Knowing that the support of the ANAO's staff would be critical to the success of the e-learning project, HR recruited volunteers from different areas of the organisation—from a range of classifications and with different lengths of work experience—to test modules.

Great teamwork

Importantly, the e-learning project had the support of senior members of the executive. The Auditor-General launched the first four modules, and other champions promoted e-learning products to their staff. A dedicated project officer was appointed to manage the project. HR keeps staff informed about the modules, by email and through the monthly internal newsletter.

The modules have been well received by staff, as demonstrated by user comments such as:

- 'Overall, good content and very easy to navigate.'
- 'I really liked it!'
- 'I've worked through the ChangePoint e-learning module and I think it is great.
   As a ChangePoint novice, I found it easy to understand and follow.'

Now that e-learning has been integrated into the ANAO's learning and development offerings, work is ongoing to enable the ANAO to continue to support its e-learning capabilities, blend its e-learning with more traditional methods and expand the e-learning content.

The ANAO does not expect e-learning to replace face-to-face training. However, HR is confident that e-learning will become a valuable and effective component of the ANAO's training and development curriculum.

# Work health and safety

The ANAO is committed to uphold the agency's Health and Safety Management Arrangements (HSMAs) and accompanying work health and safety (WHS) policies. The ANAO's HSMAs, policies and procedures comply with the requirements of the *Work Health and Safety Act 2011*.

# Commitment to the safety and welfare of staff

As a 'person conducting a business or undertaking' under the Work Health and Safety Act, the ANAO has a primary duty of care to ensure the health and safety of workers. The Auditor-General and all ANAO officers are accountable for WHS outcomes and the actions taken to implement WHS policies and guidelines.

The ANAO is committed to ensuring that all workers are safe from injury and risk to health while at work and protecting the health and safety of workers and other people at or near the workplace. The ANAO integrates safe working practices into all areas of operations.

Managers consult and cooperate with their staff and others to maintain a safe and healthy workplace and strive to attain WHS best practice. Managers and supervisors play an important role in implementing ANAO health and safety policies and practices.

# Health and safety management arrangements

The ANAO's HSMAs provide a comprehensive framework for the ANAO's commitment and actions in relation to the safety and welfare of its workers.

The Workplace Health and Safety Committee is responsible for monitoring and reviewing the HSMAs and advising the ANAO on WHS matters. The committee is chaired by the Executive Director, Corporate Management Branch, and its members are the ANAO's health and safety representatives. During 2013–14 the membership of the committee will be expanded to include case managers. The committee met four times in 2012–13.

Health and safety representatives are nominated and elected by ANAO staff in accordance with the HSMAs and WHS guidelines. In addition to attending committee meetings, they perform quarterly walkthroughs of their workgroups and provide further WHS support. All health and safety representatives are required to attend appropriate, accredited training.

# Initiatives

WHS was promoted throughout the ANAO in 2012–13. A dedicated site on the intranet includes support material for ANAO officers (as defined by the Work Health and Safety Act), managers and staff, including information on general WHS awareness and roles and responsibilities.

Additional initiatives undertaken during the year to ensure the health, safety and welfare of workers who carry out work for the ANAO included:

- ▶ improving awareness of WHS at induction sessions for new staff
- ▶ promoting an e-learning module which assists staff to understand WHS legislation and the individual's and the ANAO's responsibilities for maintaining a healthy and risk-free workplace
- strengthening the ANAO's rehabilitation management system—the ANAO undertook a gap analysis of its rehabilitation management processes, as a result of which a number of policies and procedures were reviewed or developed.

A pilot program to build resilience and manage stress was conducted with a group of managers, and received very positive feedback from participants. The ANAO also provided ongoing support by offering ergonomic work station assessments to all staff and new starters, and completing 38 ergonomic work station assessments. All staff were also offered influenza vaccinations and health assessments.

# Incidents

There were no notifiable incidents reported in 2012–13 under the Work Health and Safety Act. The ANAO was not subject to any WHS investigations that related to business or undertakings, nor did the ANAO receive any notices given under Part 10 of the Work Health and Safety Act.

# **Employee Assistance Program**

The Employee Assistance Program provides access to free confidential professional counselling services to assist staff and their families with any personal or work-related problems, and offers guidance and advice to managers on staff management. The services can be accessed locally and by staff on secondments to other audit offices overseas.

Staff and managers are actively encouraged to use the program. It is promoted as part of the induction for new staff and included in a regular feature in our monthly staff newsletter. Information on the program can be accessed from the ANAO intranet.

The service was used by 17 staff, 12 of whom were new clients in 2012–13. Members of staff and their families used the service for both work-related and personal circumstances, with counselling support being predominantly for non-work related matters.

# Workplace diversity

The ANAO is committed to promoting and supporting social inclusion, equity and diversity in the ANAO and achieves this by actively building a working environment that supports and encourages staff who have a range of skills and life experiences and different cultural and social backgrounds. The ANAO's policy 'Respect and Diversity in the ANAO' provides guidelines for managing harassment, bullying and discrimination in the workplace.

# **Key priorities**

The ANAO revised its diversity strategy and action plan in 2012–13. Key priority areas for the next three years are:

- ▶ increasing staff membership of the Diversity Contact Officer Network
- providing training for new diversity contact officers and refresher training for more experienced officers
- supporting cultural diversity through awareness-raising workshops and celebrations of the ANAO's diversity
- recognising and appreciating staff at different stages of their working lives in formal ways (accommodating staff preferences through flexible working arrangements) and informal ways (appreciating the range of experiences and backgrounds individuals bring to the workplace)
- increasing our efforts to recruit staff from Aboriginal and Torres Strait Islander backgrounds through our graduate and non-graduate recruitment strategies.

The ANAO has targets in place to increase the representation of people with a disability in our workforce. Staff with disabilities represent 0.3 per cent of our workforce and we aim to increase that to 3.0 per cent by 2015.

Our workforce is characterised by the strong representation of employees from linguistically and culturally diverse backgrounds, with 22 per cent of our workforce having identified as such compared to 5.1 per cent in the APS generally. The ANAO workforce is also on average younger than the broader APS workforce, though we also have a cohort of mature staff with significant tenure at the ANAO. The ANAO will continue to support its diverse workforce through a range of initiatives that form part of the ANAO's Workplace Diversity Strategy 2013–15.

# **Diversity contact officers**

A network of diversity contact officers champions diversity across the ANAO, with a focus on building a positive workplace culture, and provides informal and confidential support to staff members who are seeking assistance and guidance on harassment and bullying issues. The diversity contact officers met regularly in 2012–13, to share information, discuss recent developments, review membership and refresher training and agree on a program of activities for the next 12 months.

# **OTHER MANAGEMENT ISSUES**

The management activities and services that support our audit functions are undertaken in line with government policies and best practice.

# Assets management

The ANAO's assets management policy is set out in the Auditor-General's 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.

# **Purchasing and procurement**

The ANAO's procurement guidelines are set out in the Auditor-General's Instructions and supporting procedural rules, which are derived directly from the *Commonwealth Procurement Rules*. 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. The ANAO's procurement practices are designed to protect the interests of the Australian Government.

The ANAO published its Procurement Plan 2013–14 on the AusTender website on 27 June 2013.

# **Consultants**

All tenders and contractual arrangements undertaken in 2012–13 were carried out in accordance with the *Commonwealth Procurement Rules*.

The ANAO's standard form tender documents, including contracts, accord with the Auditor-General's Instructions. Where necessary, staff can readily adapt those documents to suit individual circumstances.

The ANAO's tender evaluation processes are fair and equitable and designed to ensure that all potential suppliers have the opportunity to compete for our business. Before proceeding to a substantive evaluation the ANAO undertakes a check against all mandatory requirements that are listed in the tender documentation. Tenders that do not comply with all of the requirements are excluded from further evaluation.

The ANAO uses consultants on a needs basis for a variety of tasks. The most common uses of contracted consultants include the application of expert professional skills to:

- investigate or diagnose a defined issue or problem
- 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 legal advice.

The ANAO also participates in a number of collaborative procurement arrangements with other agencies, such as the Design, Print and Distribution Program led by the Department of Human Services, and the Legal Services Multi-Use List run by the Attorney-General's Department.

The major competitive tendering and contracting activities in 2012–13 were to obtain professional skills to assist with certain financial statement audits.

During 2012–13, 15 new consultancy contracts were entered into involving total actual expenditure of \$0.772 million (including GST). In addition, 27 ongoing consultancy contracts were active during 2012–13, involving a total actual expenditure of \$0.563 million (including GST).

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.

No contracts in excess of \$10,000 (inclusive of GST) or standing offer were exempted by the Auditor-General from being published in AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*. There was no contract to the value of \$100,000 or more that did not provide for the Auditor-General to have access to the contractor's premises.

# Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2012–13. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$12,100 (inclusive of GST) to market research organisations and media advertising organisations, incurred in the course of audit and assurance reviews, are set out in Table 15.

Organisation	Service provided	Payments (\$)
Media advertising		
Adcorp	Graduate recruitment	12,698
	IT audit recruitment	15,932
Market research		
ORIMA Research	Online survey to assist performance audit	13,293
	Development of survey for key performance indicator pilot	16,445
	Online survey to assist performance audit	14,740
	Performance Audit Services Group Public Entity Survey	53,570
	Assurance Audit Services Group Client Survey	38,720
	2012 Staff Survey	55,000

# TABLE 15: PAYMENTS OVER \$12,100 (INCLUDING GST) TO ADVERTISING AGENCIES, MARKET RESEARCH ORGANISATIONS, POLLING ORGANISATIONS, DIRECT MAIL ORGANISATIONS AND MEDIA ADVERTISING ORGANISATIONS

# Grant programs

The ANAO does not administer any grant programs.

# 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.

# Our contribution to ecologically sustainable development

While the ANAO does not have any specific responsibility for administering ESD provisions, its audit reports make an indirect contribution by improving accountability and providing independent assessments of Australian Government programs to Parliament.

In 2012–13, the ANAO produced three reports on the administration of programs that have a direct influence on environmental outcomes:

- Audit Report No.1 2012–13, Administration of the Renewable Energy Demonstration Program
- Audit Report No.17 2012–13, Design and Implementation of the Energy Efficiency Information Grants Program
- Audit Report No.36 2012–13, Commonwealth Environmental Watering Activities.

# Environmental strategy

The ANAO has developed an internal environmental strategy based on an Environmental Policy that outlines governance arrangements for the environmental management system and environmental responsibilities, monitoring and reporting. The Environmental Management Committee oversees the implementation of the strategy.

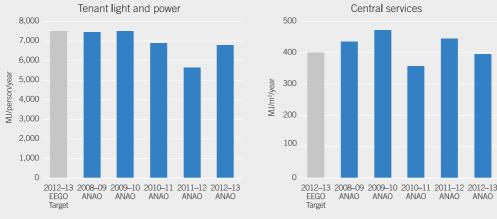
# Effect of our activities on the environment

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

# ENERGY

Figure 4 compares the ANAO's tenant light and power use and central services with the Energy Efficiency in Government Operations (EEGO) target figures.

MANAGEMENT AND ACCOUNTABILITY



# FIGURE 4: TENANT LIGHT AND POWER AND CENTRAL SERVICES

EEGO = Energy Efficiency in Government Operations; MJ = megajoules

Note: Tenant light and power figures are calculated by dividing the energy used in the ANAO's tenanted areas by the average number of occupants for the past financial year. Central services figures are calculated by dividing the energy used to run the building's plant machinery by the number of tenanted square metres.

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.

During 2012–13, tenant light and power use averaged 6,779 megajoules per person, which was 721 megajoules per person below the target of 7,500 megajoules.

The ANAO's central services energy usage was 395 megajoules per square metre. This was a decrease of 48 megajoules per square metre compared to the result for 2011–12.

The ANAO leases its office premises and works with the lessor to improve its environmental performance.

# WATER

Based on occupied building floor area, the ANAO's building water use intensity was 0.42 kilolitres per square metre in 2012–13. This was a decrease of 0.05 kilolitres per square metre compared with the result for 2011–12. This result equates to a 4-star National Australian Built Environment Rating System (NABERS) water rating, which is considered 'Above Average Performance'.

# WASTE

During 2012–13 the waste management provider introduced enhancements to collection practices that have resulted in more accurate calculations of the ANAO's waste. As a result, the totals for 2012–13 are not comparable to the totals for earlier years. Table 16 shows the disposal of the ANAO's waste during 2012–13.

# TABLE 16: ANAO WASTE, QUANTITY AND DISPOSAL, 2012-13

Type of waste	2012–13
Paper (recycling)	10,842 kg
Co-mingled (recycling)	47 m <sup>3</sup>
General (landfill)	26 m <sup>3</sup>
Organic (recycling)	2.17 tonnes

# **Disability reporting**

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. These reports are available at www.apsc.gov.au. Since 2010–11, departments and agencies have not been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. The first of these reports will be available in 2014, and will be available at www.fahcsia.gov.au.

The Social Inclusion Measurement and Reporting Strategy agreed by the Australian Government in December 2009 will also include some reporting on disability matters in its regular *How Australia is Faring* report and, if appropriate, in strategic change indicators in agency annual reports. More detail on social inclusion matters can be found at www.socialinclusion.gov.au.

# **Freedom of information**

*The Auditor-General Act 1997* provides the Auditor-General with an exemption from the provisions of the *Freedom of Information Act 1982.* Performance audits, assurance reviews and audit opinions are tabled in the Parliament and/or published on our website.

# Service charter

The ANAO does not have a service charter, because we do not provide services directly to members of the public. However, we recognise that we provide a service to the community through the delivery of a range of audit services and we welcome feedback. Comments and suggestions can be made via our website or by phone on (02) 6203 7300.

# FINANCIAL RESULTS PART 5

# **FINANCIAL RESULTS**

The ANAO's operations are largely funded through parliamentary appropriations. Revenue is also received from 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*, are accounted for as agency revenue and retained for use by the ANAO.

In accordance with section 14 of the *Auditor-General Act 1997*, the ANAO charges fees for the audits 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**

Our operating surplus of \$3.395 million for the year ending 30 June 2013 (compared to a surplus of \$0.406 million in 2011–12) is mainly the result of a 4 per cent decrease in total expenses. Employee expenditure was lower than the previous year as a result of temporary shortfalls in the ANAO staffing profile throughout 2012–13. The ANAO also achieved modest savings across key supplier expenditure categories, including contractors, travel, printing and recruitment. The ANAO has continued to strengthen its balance sheet and has sufficient assets to meet ongoing liabilities and commitments.

Table 17 summarises our financial position.

# TABLE 17: SUMMARY OF FINANCIAL PERFORMANCE

2012–13	2011–12	Variance	Variance
\$'000	\$'000	\$'000	%
3,413	3,166	247	8
74,374	74,891	(517)	(1)
74,392	77,651	(3,259)	(4)
3,395	406	2,989	
41,999	38,389	3,610	9
18,766	19,449	(683)	(4)
23,233	18,940	4,293	23
23,233	18,940	4,293	23
	\$'000 3,413 74,374 74,392 3,395 41,999 18,766 23,233	\$'000         \$'000           3,413         3,166           74,374         74,891           74,392         77,651           3,395         406           41,999         38,389           18,766         19,449           23,233         18,940	\$'000         \$'000         \$'000           3,413         3,166         247           74,374         74,891         (517)           74,392         77,651         (3,259)           3,395         406         2,989           41,999         38,389         3,610           18,766         19,449         (683)           23,233         18,940         4,293

PART 5

FINANCIAL RESULTS

The agency resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Table 18 details the resources available to the ANAO during 2012–13.

# TABLE 18: AGENCY RESOURCE STATEMENT, 2012–13

	Actual available appropriations for 2012–13 \$'000	Payments made 2012–13 \$'000	Balance remaining 2012–13 \$'000
Ordinary annual services			
Departmental appropriation <sup>1</sup>	105,779	74,202	31,577
Total ordinary annual services	105,779	74,202	31,577
Special appropriations			
Auditor-General remuneration and expense— <i>Auditor-General Act 1997,</i> Schedule 1, sections 3 and 7	550	550	-
Total special appropriations	550	550	-
Total resourcing and payments	106,329	74,752	31,577

1 Appropriation Bill (No. 1) 2012–13, prior year departmental appropriation and section 31 receipts.

# **Resources for outcomes**

The ANAO's total resourcing summary by outcome is set out in Table 19.

# TABLE 19: EXPENSES FOR OUTCOMES, 2012–13

Budget <sup>1</sup>	Actual	Variation
2012–13	expenses	2012–13
'000	2012–13	'000
	'000	

Outcome 1: To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the Executive

**Program 1.1: Assurance Audit Services** 

Departmental expenses			
Departmental appropriation <sup>2</sup>	46,205	43,360	2,845
Special appropriation	241	275	(34)
Expenses not requiring appropriation in the Budget year	1,046	1,129	(83)
Total for program 1.1	47,492	44,764	2,728
Total expenses for Outcome 1	47,492	44,764	2,728

Outcome 2: To improve the efficiency and effectiveness of the administration of Australian Government programs and entities by undertaking a program of independent performance audits and assurance reviews for the information of Parliament and the Executive

reviews for the information of Parliament and the	e Executive		
Program 2.1: Performance Audit Services			
Departmental expenses			
Departmental appropriation	30,943	28,391	2,552
Special appropriation	241	275	(34)
Expenses not requiring appropriation in the Budget year	640	962	(322)
Total for program 2.1	31,824	29,628	2,196
Total expenses for Outcome 2	31,824	29,628	2,196
Total Outcomes 1 and 2	79,316	74,392	4,924
		2011–12	2012–13
Average staffing level (number)		339	340

1 Full year budget, including any subsequent adjustment made to the 2012–13 Budget.

2 Departmental appropriation combines 'Ordinary annual services (Appropriation Bill No. 1)' and 'Revenue from independent sources (s. 31)'.

# 2012-13 FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT STATEMENT BY THE AUDITOR-GENERAL AND CHIEF FINANCE OFFICER STATEMENT OF COMPREHENSIVE INCOME BALANCE SHEET STATEMENT OF CHANGES IN EQUITY CASH FLOW STATEMENT SCHEDULE OF COMMITMENTS ADMINISTERED SCHEDULE OF COMPREHENSIVE INCOME ADMINISTERED SCHEDULE OF ASSETS AND LIABILITIES ADMINISTERED RECONCILIATION SCHEDULE ADMINISTERED CASH FLOW STATEMENT TABLE OF CONTENTS – NOTES

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

For the Australian National Audit Office

#### **Report on the Financial Statements**

I have audited the accompanying financial statements of Australian National Audit Office for the year ended 30 June 2013, which comprise: a Statement by the Auditor General and Chief Financial Officer; Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Administered Schedule of Comprehensive Income; Administered Schedule of Assets and Liabilities; Administered Reconciliation Schedule; Administered Cash Flow Statement; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

#### Auditor General's Responsibility for the Financial Statements

The Auditor General is responsible for the preparation of financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Financial Management and Accountability Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with 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 about 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 of the financial statements that give a true and fair view 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 the accounting policies used and the reasonableness of accounting estimates made by the Auditor General, 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 my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

#### 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 2013 and of its financial performance and cash flows for the year then ended.

Creed Lido

Geoff Wilson Independent Auditor

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

Sydney, 21 August 2013

# STATEMENT BY THE AUDITOR-GENERAL AND CHIEF FINANCE OFFICER

Australian National Audit Office

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

In our opinion, the attached financial statements for the year ended 30 June 2013 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.

Signed 24,2

lan McPhee Auditor-General

Z. J. August 2013

... Signed .

Mitchell Frost Chief Finance Officer

2.1 August 2013

# Statement of Comprehensive Income for Australian National Audit Office

for the year ended 30 June 2013

EXPENSES2013 \$0002012 \$000Employee benefits3A41,19341,807Suppliers3B31,10833,897Depreciation and amortisation3C2,0871,907Write-down and impairment of assets3D440Total expenses3D440Total expenses74,39277,651LESS: OWN-SOURCE INCOME74,39277,651Description4B172 169169Total own-source income4B172 169169Total own-source income4C74,37474,891Surplus3,395406006006OTHER COMPREHENSIVE INCOME-136 136136 136Items not subject to subsequent reclassification to profit or loss Changes in asset revaluation surplus-136 136 136Total own-source income136 136OTHER COMPREHENSIVE INCOME136 136Items not subject to subsequent reclassification to profit or loss Changes in asset revaluation surplus-136 136Total oher comprehensive income136 136Total comprehensive income136 136Total comprehensive income136 136Total oher comprehensive income136 136Total oher comprehensive income136 136Total oher comprehensive income136 136Total oher comprehensive incom				
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OTHER COMPREHENSIVE INCOME Items not subject to subsequent reclassification to profit or loss Changes in asset revaluation surplus Total other comprehensive income - 136 - 13	Revenue from Government	4C	74,374	74,891
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Total other comprehensive income - 136	Items not subject to subsequent reclassification to profit or loss			
	Changes in asset revaluation surplus	_	-	136
Total comprehensive income     3,395     542	Total other comprehensive income	_		136
	Total comprehensive income	_	3,395	542

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

PART 5

# **Balance Sheet for Australian National Audit Office**

as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Financial assets Cash and cash equivalents	5A	649	787
Trade and other receivables	5B	32,827	27,907
Other financial assets	5C	219	382
Total financial assets		33,695	29,076
	-		<u> </u>
Non-financial assets			
Land and buildings	6A,C	4,531	5,348
Plant and equipment	6B,C	1,281	1,531
Intangibles	6D,E	1,635	1,632
Other non-financial assets	6F _	857	802
Total non-financial assets	-	8,304	9,313
Total assets	-	41,999	38,389
LIABILITIES			
Payables			
Suppliers	7A	2,952	4,125
Operating lease	7B	1,034	1,232
Other payables	70	1,173	1,308
Total payables		5,159	6,665
	—		
Provisions			
Employee provisions	8A _	13,607	12,784
Total provisions	_	13,607	12,784
Total liabilities	-	18,766	19,449
Net assets	-	23,233	18,940
	-		
EQUITY			
Contributed equity		8,673	7,775
Reserves		626	626
Retained surplus	_	13,934	10,539
Total equity	_	23,233	18,940

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

for the year ended 30 June 2013								
			Asset revaluation	uation	Contributed	ited		
	Retained surplus	surplus	surplus	s	equity/ca	pital	Total eq	uity
	2013	2012	2013	2012	2013 20	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$`000	\$,000	\$'000
Opening balance	10,539	10,133	626	490	7,775	6,602	18,940	17,225
Comprehensive income								
Other comprehensive income	•	'	•	136		'	•	136
Surplus for the period	3,395	406					3,395	406
Total comprehensive income	3,395	406		136			3,395	542
Transactions with owners								
Contributions by owners								
Departmental capital budget	•	'	•		898	1,173	898	1,173
Sub-total transactions with owners	•	•	•		868	1,173	898	1,173
Closing balance as at 30 June	13,934	10,539	626	626	8,673	7,775	23,233	18,940

Statement of Changes in Equity for Australian National Audit Office

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

FINANCIAL RESULTS

PART 5

# Cash Flow Statement for Australian National Audit Office

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		73,885	73,547
Sales of goods and rendering of services		3,413	2,885
Net GST received	_	2,794	2,806
Total cash received	_	80,092	79,238
Cash used			
Employees		40,474	39,705
Suppliers		35,853	36,333
Section 31 receipts transferred to OPA		3,838	3,913
Total cash used		80,165	79,951
Net cash used by operating activities	9	(73)	(713)
INVESTING ACTIVITIES			
Cash used			
Purchase of buildings - leasehold improvements		110	20
Purchase of plant and equipment		162	895
Purchase of intangibles		496	620
Total cash used		768	1,535
Net cash used by investing activities	_	(768)	(1,535)
FINANCING ACTIVITIES Cash received			
Contributed equity		703	1,848
Total cash received	-	703	1,848
Net cash from financing activities	_	703	1,848
······································	-		.,2.5
Net decrease in cash held		(138)	(400)
Cash and cash equivalents at the beginning of the reporting period		787	1,187
Cash and cash equivalents at the end of the reporting period	5A	649	787
each and each equivalence at and one of the reporting period			101

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

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# Schedule of Commitments for Australian National Audit Office

as at 30 June 2013

	2013	2012
BY TYPE	\$'000	\$'000
Commitments receivable	004	40.4
Sublease rental income <sup>1</sup>	224	424
Net GST recoverable on commitments	4,038	4,802
Total commitments receivable	4,262	5,226
Commitments payable		
Capital commitments		
Property, plant and equipment	89	175
Intangibles	101	111
Total capital commitments	190	286
Other commitments		
Operating leases <sup>2</sup>	21,890	24,957
Other <sup>3</sup>	22,561	27,998
Total other commitments	44,451	52,955
Total commitments payable	44,641	53,241
Net commitments by type	40,379	48,015
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	192	192
From one to five years	32	232
Total operating lease income	224	424
Other commitments receivable		
One year or less	1,834	2,132
From one to five years	2,110	2,132
Over five years	94	466
Total other commitments receivable	4.038	4,802
Total commitments receivable	4,262	5,226
		0,220
Commitments payable		
Capital commitments		
One year or less	190	278
From one to five years	-	8
Total capital commitments	190	286
Operating lease commitments		
One year or less	3,932	3,710
From one to five years	16,924	16,120
Over five years	1,034	5,127
Total operating lease commitments	21,890	24,957
Other Commitments		
One year or less	16,242	19,642
From one to five years	6,319	8,356
Total other commitments	22,561	27,998
Total commitments payable	44,641	53,241
Net commitments by maturity	40,379	48,015
		.,

# Schedule of Commitments for Australian National Audit Office (Cont'd) as at 30 June 2013

Note: Commitments are GST inclusive where relevant.

<sup>1</sup> Sublease income is rental income derived from the sublease of office accommodation at the ANAO's premises in the ACT. In 2011-12 a new lease agreement was entered into extending the sublease until 30 September 2014.

<sup>2</sup> Operating leases included for 2012-13 are non-cancellable and comprise:

Nature of lease	General description of leasing arrangements
Lease for office accommodation	The ANAO has one current accommodation lease in the ACT. The lease commenced on 23 September 2008 for a period of 10 years and is for the ANAO's present accommodation in the ACT. There is an option to extend for a further 10 years and any increases in rent will be at a rate commensurate with the CPI. As part of the lease agreement, the ANAO received a contribution of \$1 million from the landlord towards refurbishment of the premises and release from any future make good obligations. These incentives are being recognised progressively over the lease as a reduction in rent expense.
Lease for data centre facilities	The ANAO leases a secure offsite facility for data storage and business continuity purposes. The lease commenced on 1 November 2012 for a period of 10 years with fixed rent increases of 4% until 2016. Any rental increases over the remaining lease will be at a rate commensurate with the CPI.

<sup>3</sup> Other commitments comprise: contract audit services \$14,249,773 (2011-12 \$14,909,025), provision of IT services \$3,592,807 (2011-12 \$4,230,734) and other contracts totalling \$4,719,024 (2011-12 \$8,858,584).

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

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# Administered Schedule of Comprehensive Income for Australian National Audit Office

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OWN-SOURCE INCOME			
Own-source revenue			
Rendering of services	15A	10,283	9,712
Total own-source revenue administered on behalf of Government		10,283	9,712
Net contribution by services		10,283	9,712
Total comprehensive income		10,283	9,712

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

# Administered Schedule of Assets and Liabilities for Australian National Audit Office as at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS	Notes	<b>\$ 000</b>	φ 000
Financial assets			
Cash and cash equivalents	16A	230	438
Trade and other receivables	16B	4,686	3,901
Other financial assets	16C	1,445	2,218
Total financial assets	_	6,361	6,557
Total assets administered on behalf of Government	-	6,361	6,557
LIABILITIES			
Payables			
GST payable	17A	426	385
Total payables	_	426	385
Total liabilities administered on behalf of Government	-	426	385
Net assets		5,935	6,172

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

# Administered Reconciliation Schedule for Australian National Audit Office

	2013 \$'000	2012 \$'000
Opening administered assets less administered liabilities as at 1 July	6,172	4,004
Surplus items: Administered income	10,283	9,712
Administered transfers to the Australian Government: Transfers to the Official Public Account	(10,520)	(7,544)
Closing administered assets less administered liabilities as at 30 June	5,935	6,172

# Administered Cash Flow Statement for Australian National Audit Office

for the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of services		11,338	8,835
Total cash received	_	11,338	8,835
Cash used			
Net GST paid	_	1,026	853
Total cash used		1,026	853
Net cash flows from operating activities	18 _	10,312	7,982
Net increase in Cash Held	-	10,312	7,982
Cash and cash equivalents at the beginning of the reporting period Cash to Official Public Account for:		438	-
- Appropriations		10,520	7,544
Cash and cash equivalents at the end of the reporting period	16A	230	438
This schedule should be read in conjunction with the accompanying not	tes.		

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- Note 23: Compensation and Debt Relief
- Note 24: Reporting of Outcomes
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PART 5

FINANCIAL RESULTS

## Note 1 - Summary of Significant Accounting Policies

#### 1.1 Objectives of the ANAO

The Australian National Audit Office (ANAO) is an Australian Government not-for-profit entity. The objective of the entity is to assist the Auditor-General to carry out his duties and responsibilities under the Auditor-General Act 1997 and other relevant legislation.

For the financial year ended 30 June 2013, the ANAO is structured to meet the following outcomes:

- Outcome 1: Assurance Audit Services To provide assurance on the fair presentation of financial statements of Australian Government entities by providing independent audit opinions and related reports for the information of Parliament and the Executive.
- Outcome 2: Improvement in Public Administration To improve the efficiency and effectiveness of the
  administration of Australian Government programs and entities by undertaking a program of independent
  performance audits and assurance reviews for the information of Parliament and the Executive.

On 1 July 2013 the ANAO will transition to the following single outcome:

 Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.

The continued existence of the ANAO in its present form and with its present programs is dependent on continuing funding by Parliament for the entity's administration and programs.

ANAO activities contributing toward these outcomes are classified as either departmental or administered. Departmental activities involve the use of assets, liabilities, income and expenses controlled or incurred by the entity in its own right. Administered activities involve the management of items, particularly related to audit fees received, that are not available for departmental activities, as explained below.

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, the Executive and the public.

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.

The ANAO charges an audit fee for the financial statement audits of Commonwealth authorities and companies and their subsidiaries subject to the *Commonwealth Authorities and Companies Act 1997*. These fees are based on a scale determined by the Auditor-General under section 14 of the *Auditor-General Act 1997*, calculated on the basis of a cost attribution model. Revenues from these audits are paid into the Official Public Account and are not available to the ANAO. The revenue and receipts associated with conducting these audits are treated as administered activities within the financial statements.

#### 1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 49 of the Financial Management and Accountability Act 1997.

The financial statements have been prepared in accordance with:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2012; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

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

FINANCIAL RESULTS

# Australian National Audit Office NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

# Note 1 - Summary of Significant Accounting Policies (Cont'd)

entity 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 executory contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

# 1.3 Significant Accounting Judgements and Estimates

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

- The fair value of leasehold improvements and property, plant and equipment is assessed at market value or depreciated replacement cost as determined by an independent valuer; and
- Leave provisions involve actuarial assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period. However, the employee provisions in particular are affected by movements in the Commonwealth bond rate.

# 1.4 New Australian Accounting Standards

# Adoption of New Australian Accounting Standard Requirements

No accounting pronouncement has been adopted earlier than the application date as stated in the standard or interpretation.

No new or revised pronouncements were issued prior to finalisation of the financial statements, were applicable to the current reporting period and had a financial impact on the entity.

# Future Australian Accounting Standard Requirements

No new or revised pronouncements were issued by the Australian Accounting Standards Board prior to the finalisation of the financial statements which are expected to have a material financial impact on the entity in future reporting periods.

The issuance of AASB 1055 *Budgetary Reporting* will require the ANAO to disclose budgeted information, presented to Parliament in the Portfolio Budget Statements. The ANAO will also be required to provide explanations of significant variances between the budgeted amounts and actual results. This standard will apply to both departmental and administered balances, and will be applicable to reporting periods commencing on or after 1 July 2014.

# 1.5 Revenue

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the agency retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the entity.

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

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

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

# Note 1 - Summary of Significant Accounting Policies (Cont'd)

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

#### Revenue from Government

Amounts appropriated for departmental appropriations for the year (adjusted for any formal additions and reductions) are recognised as Revenue from Government when the ANAO gains control of the appropriation. Appropriations receivable are recognised at their nominal amounts.

#### 1.6 Gains

#### Sale of Assets

Gains from disposal of assets are 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) and Departmental Capital Budgets (DCBs) are recognised directly in contributed equity in that year.

#### 1.8 Employee Benefits

Liabilities for 'short-term employee benefits' (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of end of reporting period are measured at the amounts expected to be paid on settlement of the liability.

#### <u>Leave</u>

The liability for employee benefits includes provision for annual leave 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 will apply at the time the leave is taken, including the ANAO's employer superannuation contribution rates and applicable on-costs, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined by reference to FMO 43.2 using the shorthand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

#### Superannuation

The ANAO's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), PSS accumulation plan (PSSap) or other elected defined contribution scheme.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance and Deregulation's administered schedules and notes.

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

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

FINANCIAL RESULTS

## Australian National Audit Office NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

# Note 1 - Summary of Significant Accounting Policies (Cont'd)

# 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 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 2013.

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

#### 1.10 Cash

Cash is recognised at its nominal amount. Cash and cash equivalents includes:

- a) cash on hand;
- b) demand 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 changes in value; and
- c) cash in special accounts.

# 1.11 Financial Assets

#### Loans and Receivables

Trade receivables are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

#### Effective Interest Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### Impairment of Financial Assets

Loans and receivables are assessed for impairment at the end of each reporting period.

If there is objective evidence that an impairment loss has been incurred for loans and receivables held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

#### 1.12 Financial Liabilities

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

#### 1.13 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 a 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.

The ANAO had no contingent liabilities or contingent assets as at 30 June 2013.

#### 1.14 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. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

## Note 1 - Summary of Significant Accounting Policies (Cont'd)

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

#### 1.15 Property, Plant and Equipment

#### Asset Recognition Threshold

Purchases of 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).

#### Initial cost

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 'make good' 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 'make good' recognised.

#### Revaluations

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

Asset Class	Fair value measures at:
Buildings (leasehold improvements)	Depreciated replacement cost
Plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do not differ materially from the asset's fair values as at the reporting date. The regularity of independent valuations depends on the volatility of movements in market values for the relevant assets. The most recent independent valuation was conducted by the Australian Valuation Office as at 30 June 2012.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation surplus except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they 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 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 improvement or the lease term.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are made 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:

	2013	2012
Leasehold improvements	Lease term	Lease term
Plant and equipment	3 to 100 years	3 to 100 years

The aggregate amount of depreciation allocated for each class of asset during the reporting period is disclosed in Note 6C.

FINANCIAL RESULTS

#### Australian National Audit Office NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013

# Note 1 - Summary of Significant Accounting Policies (Cont'd)

## Impairment

All assets were assessed for impairment at 30 June 2013. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment loss recognised if the asset's recoverable amount is less than its carrying amount.

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

#### **Derecognition**

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

#### 1.16 Intangibles

Purchases of intangibles 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 ANAO's intangibles comprise off-the-shelf software and associated enhancement costs. These assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the ANAO's software are 3 to 5 years (2011-12: 3 to 5 years).

All software assets were assessed for indications of impairment as at 30 June 2013. No impaired software assets were identified.

## 1.17 Taxation

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

Revenues, expenses and assets are recognised net of GST except:

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

#### 1.18 Work in Progress

Work in progress includes the total costs incurred on audit work yet to be completed less interim billings. It is valued at the amount expected to be recovered.

#### Note 1 - Summary of Significant Accounting Policies (Cont'd)

#### 1.19 Reporting of Administered Activities

The ANAO 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 and are not available to the ANAO. The ANAO's auditing and related activities are directed towards achieving the two outcomes described in Note 1.1. Details of activities planned for the year can be found in the Prime Minister and Cabinet Portfolio Budget Statement for 2012-13, which was tabled in the Parliament.

Administered revenues, expenses, assets, liabilities and cash flows are disclosed in the administered schedules 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.

#### Administered Cash Transfers to and from the Official Public Account

Revenue collected by the ANAO for use by the Government rather than the agency is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance and Deregulation. These transfers to the OPA are adjustments to the administered cash held by the entity on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

#### <u>Revenue</u>

All administered revenues are revenues relating to ordinary activities performed by the ANAO that are returned to the Australian Government and are not available to the ANAO. Fees are charged for services rendered and expenses incurred in relation to the conduct of certain audits of Commonwealth authorities and companies.

# Note 2 - Events After the Reporting Period

#### Departmental

No events have occurred after balance date that should be brought to account or noted in the 2012-13 financial statements.

#### Administered

No events have occurred after balance date that should be brought to account or noted in the 2012-13 financial statements.

Note 3: Expenses		
Note 5. Expenses		
	2013	2012
	\$'000	\$'000
Note 3A: Employee Benefits		
Wages and salaries	31,155	30,487
Superannuation:	,	,
Defined contribution plans	2,339	2,093
Defined benefit plans	2,954	3,101
Leave and other entitlements	4,543	6,005
Other employee expenses	202	121
Total employee benefits	41,193	41,807
Note 3B: Suppliers		
Goods and services		
Contractors	16,453	18,295
Information and communication technology	3,666	3,512
Consultants	1,733	1,688
Travel	1,182	1,580
Professional development	1,186	1,188
Printing	619	772
Stationery	336	368
Recruitment	561	729
Other	1,914	2,227
Total goods and services	27,650	30,359
Goods and services are made up of:		
Provision of goods – external parties	371	407
Rendering of services – government entities	710	1,310
Rendering of services – external parties	26,569	28,642
Total goods and services	27,650	30,359
Other supplier expenses		
Operating lease rentals – external parties:		
Minimum lease payments	2,950	3,045
Contingent rentals	335	397
Workers compensation expenses	173	96
Total other supplier expenses	3,458	3,538
Total supplier expenses	31,108	33,897
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	422	260
Buildings - leasehold improvements	886	839
Total depreciation	1,308	1,099
Amortisation:		
Intangibles - computer software	779	808
Total amortisation	779	808
Total depreciation and amortisation	2,087	1,907

PART 5

Note 3: Expenses (Cont'd)		
	2013	2012
	\$'000	\$'000
Note 3D: Write-Down and Impairment of Assets		
Asset write-downs and impairments from:		
Impairment of property, plant and equipment	-	10
Disposals	4	30
Total write-down and impairment of assets	4	40

# Note 4: Income

Total revenue from Government

	2013	2012
OWN-SOURCE REVENUE	\$'000	\$'000
Note 4A: Sale of Goods and Rendering of Services		
Rendering of services - government entities	3,062	2,642
Rendering of services - external parties	177	350
Provision of goods - government entities	2	5
Total sale of goods and rendering of services	3,241	2,997
Note 4B: Rental Income		
Operating lease:		
Lease income - external parties	172	169
Total rental income	172	169
REVENUE FROM GOVERNMENT		
Note 4C: Revenue from Government		

74,417

74,891

474

550

74,374

Appropriations: Departmental appropriations 73,824 Departmental special appropriations

20132012\$'000\$'000Note 5A: Cash and Cash Equivalents649Cash on hand or on deposit649Total cash and cash equivalents649787Note 5B: Trade and Other ReceivablesGoods and Services - government entities731Goods and services - external parties3275763Total receivables for goods and services763Appropriations receivable:763For existing programs30,92826,40530,928Other receivables30,928GST receivable from the Australian Taxation Office684AusAID and other reimbursements45237332,827Z7,90732,827Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,90732,827Total trade and other receivables32,82727,90732,827Total trade and other receivables32,82732,82727,907	Note 5: Financial Assets		
StoodStoodNote 5A: Cash and Cash Equivalents649Cash on hand or on deposit649Total cash and cash equivalents649Goods and cash equivalents649Goods and Services:731Goods and services - government entities731Goods and services - external parties32Total receivables for goods and services763For existing programs30,928Cother receivable:30,928For existing programs30,928Cother receivables:30,928GST receivable from the Australian Taxation Office684AusAID and other reinbursements452Atta de and other receivables31,136Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,90727,907		2012	2012
Note 5A: Cash and Cash EquivalentsCash on hand or on deposit649787Total cash and cash equivalents649787Note 5B: Trade and Other Receivables649787Goods and Services:Goods and Services - government entities731444Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable:763519For existing programs30,92826,405Other receivables:30,92826,405Other receivables30,92826,405Other receivables:452373Total other reimbursements452373Total other receivables1,136983Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907			
Cash on hand or on deposit649787Total cash and cash equivalents649787Note 5B: Trade and Other Receivables649787Goods and Services:Goods and Services:731444Goods and services - government entities731444Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Note 54: Cash and Cash Equivalents	\$ 000	\$ 000
Total cash and cash equivalents649787Note 5B: Trade and Other Receivables Goods and Services: Goods and Services: Goods and services - government entities731444Goods and services - government entities731444Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907		640	707
Note 5B: Trade and Other ReceivablesGoods and Services:Goods and services - government entitiesGoods and services - external partiesTotal receivables for goods and services763519Appropriations receivable:For existing programsTotal appropriations receivable30,92826,405Other receivables:GST receivable from the Australian Taxation OfficeAusAID and other reimbursements452373Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907			
Goods and Services:Goods and services - government entities731444Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total trade and other receivables1,136983Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	rotai cash and cash equivalents	649	/8/
Goods and services - government entities731444Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other receivables1,136983Total trade and other receivables1,136983Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Note 5B: Trade and Other Receivables		
Goods and services - external parties3275Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total other receivables1,136983Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Goods and Services:		
Total receivables for goods and services763519Appropriations receivable: For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total trade and other receivables1,136983Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Goods and services - government entities	731	444
Appropriations receivable: For existing programs     30,928     26,405       Total appropriations receivable     30,928     26,405       Other receivables: GST receivable from the Australian Taxation Office     684     610       AusAID and other reimbursements     452     373       Total other receivables     1,136     983       Total trade and other receivables are expected to be recovered in: No more than 12 months     32,827     27,907	Goods and services - external parties	32	75
For existing programs30,92826,405Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total other receivables1,136983Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Total receivables for goods and services	763	519
Total appropriations receivable30,92826,405Other receivables: GST receivable from the Australian Taxation Office684610AusAID and other reimbursements452373Total other receivables1,136983Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Appropriations receivable:		
Other receivables:     684     610       AusAID and other reimbursements     452     373       Total other receivables     1,136     983       Total trade and other receivables     32,827     27,907       Total trade and other receivables are expected to be recovered in:     No more than 12 months     32,827     27,907	For existing programs	30,928	26,405
GST receivable from the Australian Taxation Office     684     610       AusAID and other reimbursements     452     373       Total other receivables     1,136     983       Total trade and other receivables     32,827     27,907	Total appropriations receivable	30,928	26,405
AusAID and other reimbursements452373Total other receivables1,136983Total trade and other receivables32,82727,907Total trade and other receivables are expected to be recovered in: No more than 12 months32,82727,907	Other receivables:		
Total other receivables     1,136     983       Total trade and other receivables     32,827     27,907	GST receivable from the Australian Taxation Office	684	610
Total trade and other receivables     32,827     27,907       Total trade and other receivables are expected to be recovered in: No more than 12 months     32,827     27,907	AusAID and other reimbursements	452	373
Total trade and other receivables are expected to be recovered in:       No more than 12 months       32,827       27,907	Total other receivables	1,136	983
No more than 12 months 32,827 27,907	Total trade and other receivables	32,827	27,907
	Total trade and other receivables are expected to be recovered in:		
Total trade and other receivables32,82727,907	No more than 12 months	32,827	27,907
	Total trade and other receivables	32,827	27,907

All receivables have credit terms of net 30 days (2012: 30 days).

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

	2013	2012
	\$'000	\$'000
Receivables are aged as follows:		
Not overdue	32,827	27,894
Overdue by:		
0 to 30 days	-	3
31 to 60 days	-	1
61 to 90 days	-	-
More than 90 days	-	9
Total receivables	32,827	27,907
5		

Note 5: Financial Assets (Cont'd)		
	2013 \$'000	2012 \$'000
Note 5C: Other Financial Assets	\$ 000	φ 000
Work in progress - audit related services	219	382
Total other financial assets	219	382
Total other financial assets - are expected to be recovered in:		
No more than 12 months	219	382
Total other financial assets	219	382

Note 6: Non-Financial Assets		
	2013	2012
	\$'000	\$'000
Note 6A: Land and Buildings		
Leasehold improvements:		
Fair value	5,417	5,348
Accumulated depreciation	(886)	-
Total leasehold improvements	4,531	5,348
Total land and buildings	4,531	5,348
i otar ianu anu bununigs	4,551	5,5

No indicators of impairment were identified for leasehold improvements.

No leasehold improvements are expected to be sold or disposed of within the next 12 months.

2013	2012
\$'000	\$'000
1,701	1,531
(420)	-
1,281	1,531
	\$'000 1,701 (420)

No indicators of impairment were identified for plant and equipment.

No plant or equipment is expected to be sold or disposed of within the next 12 months.

#### Revaluations of non-financial assets

All revaluations were conducted in accordance with the revaluation policy stated at Note 1. No revaluation was performed during the 2012-13 financial year.

### Note 6: Non-Financial Assets (Cont'd)

Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2013

	Leasehold	Plant &	
	Improvements	equipment	Total
	\$'000	\$'000	\$'000
As at 1 July 2012			
Gross book value	5,348	1,531	6,879
Accumulated depreciation and impairment	-		
Net book value 1 July 2012	5,348	1,531	6,879
Additions - by purchase	69	175	244
Revaluations and impairments recognised in other			
comprehensive income	-	-	-
Impairments recognised in the operating result	-	-	-
Depreciation expense	(886)	(422)	(1,308)
Disposals	-	(3)	(3)
Net book value 30 June 2013	4,531	1,281	5,812
Net book value as of 30 June 2013 represented by:			
Gross book value	5,417	1,701	7,118
Accumulated depreciation and impairment	(886)	(420)	(1,306)
Net book value 30 June 2013	4,531	1,281	5,812

### Note 6C: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2012

	Leasehold	Plant &	
	Improvements	equipment	Tota
	\$'000	\$'000	\$'000
As at 1 July 2011			
Gross book value	6,072	853	6,925
Accumulated depreciation and impairment	(34)	-	(34
Net book value 1 July 2011	6,038	853	6,891
Additions - by purchase	69	922	991
Revaluations and impairments recognised in other			
comprehensive income	89	47	136
Impairments recognised in the operating result	-	(10)	(10)
Depreciation expense	(839)	(260)	(1,099)
Disposals	(9)	(21)	(30)
Net book value 30 June 2012	5,348	1,531	6,879
Net book value as of 30 June 2012 represented by:			
Gross book value	5,348	1,531	6,879
Accumulated depreciation and impairment	-	-	-,
Net book value 30 June 2012	5,348	1,531	6,879
		2013	2012
		\$'000	\$'000
Note 6D: Intangibles			
Computer software:			
Purchased		4,719	4,477
Accumulated amortisation		(3,084)	(2,845)
T-4-1	-	1,635	1,632
Total computer software			

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

### Note 6: Non-Financial Assets (Cont'd)

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2013

	Computer	
	software	
	purchased	Total
	\$'000	\$'000
As at 1 July 2012		
Gross book value	4,477	4,477
Accumulated amortisation and impairment	(2,845)	(2,845)
Net book value 1 July 2012	1,632	1,632
Additions - by purchase	783	783
Amortisation	(779)	(779)
Disposals	(1)	(1)
Net book value 30 June 2013	1,635	1,635
Net book value as of 30 June 2013 represented by:		
Gross book value	4,719	4,719
Accumulated amortisation and impairment	(3,084)	(3,084)
Net book value 30 June 2013	1,635	1,635

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2012

	Computer	
	software	
	purchased	Total
	\$'000	\$'000
As at 1 July 2011		
Gross book value	3,864	3,864
Accumulated amortisation and impairment	(2,044)	(2,044)
Net book value 1 July 2011	1,820	1,820
Additions - by purchase	620	620
Amortisation	(808)	(808)
Disposals	-	-
Net book value 30 June 2012	1,632	1,632
Accumulated amortisation and impairment Net book value 30 June 2012	(2,845) 1,632	(2,845) 1,632
	. <u></u>	,
	2013	2012
	\$'000	\$'000
Note 6F: Other Non-Financial Assets		
Prepayments	857	802
Total other non-financial assets	857	802
Total other non-financial assets - are expected to be recovered in:		
No more than 12 months	857	802
Total other non-financial assets	857	802

Note 7: Payables		
	2013	2012
	\$'000	\$'000
Note 7A: Suppliers	\$ 000	\$ 000
Trade creditors and accruals	2.052	4 4 9 5
Total suppliers payables	<u>2,952</u> 2,952	4,125 4,125
Total suppliers payables	2,952	4,125
Suppliers payables expected to be settled within 12 months:		
Government entities	46	94
External parties	2,906	4,031
Total	2,952	4,125
Supplier payables are usually settled within 30 days.		
Note 7B: Operating lease		
Operating lease incentives	1,034	1,232
Total operating lease payable	1,034	1,232
Total operating lease payables are expected to be settled in:		
No more than 12 months	196	196
More than 12 months	838	1,036
Total operating lease payables	1,034	1,232
Note 7C: Other Payables		
Wages and salaries	970	1.093
Superannuation	144	136
Other	59	79
Total other payables	1,173	1,308

### Note 8: Provisions

Note 84. Employee Dravisions	2013 \$'000	2012 \$'000
Note 8A: Employee Provisions	40.007	40 704
	13,607	12,784
Total employee provisions	13,607	12,784
Employee provisions are expected to be settled in:		
No more than 12 months	5,034	4,356
More than 12 months	8,573	8,428
Total employee provisions	13,607	12,784

Note 9: Cash Flow Reconciliation		
	2013	2012
	\$'000	\$'000
Reconciliation of net cost of services to net cash from operating activitie	es:	
Net cost of services	(70,979)	(74,485)
Add revenue from Government	74,374	74,891
	3,395	406
Adjustments for non-cash items		
Depreciation / amortisation	2,087	1,907
Net write down of non-financial assets	-	10
Loss on disposal of assets	4	30
Changes in assets / liabilities		
Increase in trade and other receivables	(4,726)	(5,686)
(Increase) / decrease in prepayments	(55)	208
Decrease / (increase) in other financial assets	163	(164)
(Decrease) / increase in supplier payables	(1,431)	649
(Decrease) / increase in other payables	(134)	166
Decrease in operating lease payments	(198)	(161)
Increase in employee provisions	822	1.962
Decrease in other provisions		(40)
Net cash used by operating activities	(73)	(713)

### Note 10: Contingent Assets and Liabilities

### Quantifiable Contingencies

There were no quantifiable contingent assets or liabilities as at 30 June 2013 (2012: Nil).

### Unquantifiable Contingencies

There were no unquantifiable contingent assets or liabilities as at 30 June 2013 (2012: Nil).

### Significant Remote Contingencies

There were no remote contingent assets or liabilities as at 30 June 2013 (2012: Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013 Australian National Audit Office

## Note 11: Senior Executive Remuneration

# Note 11A: Senior Executive Remuneration Expenses for the Reporting Period

2013 2012 \$ \$		<b>5,783,383</b> 5,716,850	<b>21,050</b> 142,612	<b>238,962</b> 213,194	<b>243,647</b> 209,788	<b>6,287,042</b> 6,282,444		<b>798,709</b> 816,749	<b>798,709</b> 816,749		<b>112,024</b> 744,343	<b>112,024</b> 744,343	
	Short-term employee benefits:	Salary	Annual leave accrued	Performance bonuses	Motor vehicle and other allowances <sup>3</sup>	Total short-term employee benefits	Post-employment benefits:	Superannuation	Total post-employment benefits	Other long-term benefits:	Long-service leave <sup>4</sup>	Total other long-term benefits	: :

### Notes:

Note 11A is prepared on an accural basis (therefore the performance bonus expenses disclosed above may differ from the cash Bonus paid in Note 11B)
 Note 11A excludes acting arrangements and part-year service where total remuneration expensed for a senior executive was less than \$180,000.

3. Includes motor vehicle, parking and overseas living allowances.

4. The variance between the current and prior year was mainly due to a discount rate movement applied to the 2011-12 long service leave provision .

## Note 11: Senior Executive Remuneration (Cont'd)

Note 11B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

			2013			
	Senior	Reportable	Contributed	Reportable		
Average annual reportable remuneration <sup>1</sup>	Executives	salary²	superannuation <sup>3</sup>	allowances <sup>4</sup>	allowances <sup>4</sup> Bonus paid <sup>5</sup>	Total
	No.	\$	\$	\$	\$	\$
Total remuneration (including part-time arrangements):						
less than \$180,000	ę	101,425	14,674		5,667	121,766
\$180,000 to \$209,999	9	167,821	25,262		7,994	201,077
\$210,000 to \$239,999	1	188,974	26,797	•	9,227	224,998
\$240,000 to \$269,999	4	214,566	29,751	218	11,125	255,660
\$270,000 to \$299,999	e	237,072	37,209	•	13,333	287,614
\$330,000 to \$359,999	-	307,383	46,015			353,398
\$570,000 to \$599,999	-	534,942	62,257	•		597,199
Total	29					
			2012			
	Senior	Reportable	Contributed	Reportable		
Average annual reportable remuneration <sup>1</sup>	Executives	salary²	superannuation <sup>3</sup>	allowances <sup>4</sup>	Bonus paid <sup>5</sup>	Total
	No.	S	\$	\$	S	\$
Total remuneration (including part-time arrangements):						
less than \$180,000	7	107,613	10,336	16	1,702	119,667
\$180,000 to \$209,999	6	165,455	24,866	50	7,003	197,374
\$210,000 to \$239,999	10	187,804	26,387	•	6,500	220,691
\$240,000 to \$269,999	ę	214,080	27,504		11,833	253,417
\$270,000 to \$299,999	2	235,036	39,085		12,000	286,121
\$360,000 to \$389,999	-	312,376	51,337			363,713
\$510,000 to \$539,999	-	462,692	75,590	'		538,282
Total	33					

## Note 11: Senior Executive Remuneration (Cont'd)

Notes:

- 1. This table reports substantive executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band. 2. 'Reportable salary' includes the following:
  - a) gross payments (less any boruses paid, which are separated out and disclosed in the 'borus paid' column);
    - al gross payments ress any portuses part, whomare separated out and discussed in the portus part count b) reportable fringe benefits (at the net amount prior to 'grossing up' to account for tax benefits);
- c) exempt foreign employment income; and
  - d) leave paid out upon ceasing employment.
- 3. The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
- 4. Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 5. Bonus paid "represents average actual bonuses paid during the reporting period in that reportable remuneration band. The "bonus paid" within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
  - 6. Various salary sacrifice arrangements were available to senior executives including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice benefits are reported in the 'reportable salary' column.

PART 5

FINANCIAL RESULTS

**PART 5** 

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013 **Australian National Audit Office** 

Note 11: Senior Executive Remuneration (Cont'd)						
Note 11C: Average Annual Reportable Remuneration Paid to Other Highly Paid Staff During the Reporting Period	taff Durin	g the Reportin	g Period 2013			
Average annual reportable remuneration <sup>1</sup>	Staff No.	Reportable salary² \$	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup> Bonus paid <sup>5</sup> \$	Bonus paid <sup>5</sup> \$	Total \$
Total remuneration (including part-time arrangements): \$180,000 to \$209,999 Total		165,211	21,579		5,000	191,790
			2012			
Average annual reportable remuneration <sup>1</sup>	Staff	Reportable salary²	Contributed superannuation <sup>3</sup>	Reportable allowances <sup>4</sup>	Bonus paid <sup>5</sup>	Total
	No.	\$	\$	¢	S	\$
Total remuneration (including part-time arrangements): \$180,000 to \$209,999		ı	ı	ı	,	ı
Total						'
<ul> <li>Actes:</li> <li>1. This table reports staff:</li> <li>a) who were employed by the entity during the reporting period;</li> <li>b) whose reportable remuneration (including leave paid out upon ceasing employment) was \$180,000 or more for the financial period; and</li> <li>c) were not required to be disclosed in Table B.</li> <li>Each row is an averaged figure based on headcount for individuals in the band.</li> <li>2. 'Reportable salary' includes the following:</li> <li>a) gross payments (lease any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);</li> <li>b) reportable finge benefits (at the net amount prior to 'grossing up' to account for tax benefits);</li> <li>c) exempt foreign employment.</li> </ul>	nt) was \$1	180,000 or more is paid' column);	e for the financial perio	d; and		
3. The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band	ovision of \$	superannuation	benefits to other highly	y paid staff in the	at reportable remur	neration band

5. Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between

4. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.

during the reporting period.

financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.

benefits are reported in the 'reportable salary' column.

6. Various salary sacrifice arrangements were available to other highly paid staff including superannuation, motor vehicle and expense payment fringe benefits. Salary sacrifice

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Note 12: Remuneration of Auditors		
	2013	2012
	\$	\$
Fees for services provided		
Financial statement audit services	98,318	104,600
Performance audit services	106,903	92,839
Total	205,221	197,439

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 the term 24 April 2009 to 31 October 2013. Mr Wilson is appointed in a personal capacity and he performed no other services for the ANAO. Audit fees include an allowance for superannuation.

Fees were also paid to the Independent Auditor during the year for a performance audit of the ANAO's quality assurance framework (2012: performance audit of the ANAO's IT audit capability).

Note 13: Financial Instruments			
		2013	2012
		\$'000	\$'000
Note 13A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	5A	649	787
Receivables for goods and services	5B	763	519
AusAID and other reimbursements	5B	452	373
Total		1,864	1,679
Carrying amount of financial assets	-	1,864	1,679
Financial Liabilities			
At amortised cost:			
Trade creditors and accruals	7A	2,952	4,125
Total	-	2,952	4,125
Carrying amount of financial liabilities	_	2,952	4,125

The net fair values of the financial assets and liabilities approximate their carrying amounts.

The ANAO derived no interest income from financial assets in both the current and prior year.

### Note 13B: Credit Risk

The ANAO is exposed to minimal credit risk as financial assets represent cash and cash equivalents and trade and other receivables. 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 receivables for goods and services and employee related receivables of \$1,215,894 (2012: \$892,343).

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. No impairment has been recognised (2012: nil).

### Note 13: Financial Instruments (Cont'd)

### Note 13C: Liquidity Risk

The exposure to liquidity risk is based on the notion that the ANAO will encounter difficulty in meeting its obligations associated with financial liabilities. The ANAO has sufficient available financial assets to meet all financial liabilities at 30 June 2013.

### Note 13D: Market Risk

The ANAO holds basic financial instruments that do not expose the ANAO to market risk. The ANAO is not exposed to financial risk for its financial instruments from movements in currencies, interest rates or prices.

Note 14: Financial Assets Reconciliation			
		2013	2012
Financial assets	Notes	\$'000	\$'000
Total financial assets as per balance sheet Less: non-financial instrument components:		33,695	29,076
Appropriation receivable	5B	(30,928)	(26,405)
GST receivable from the Australian Taxation Office	5B	(684)	(610)
Work in progress	5C	(219)	(382)
Total non-financial instrument components		(31,831)	(27,397)
Total financial assets as per financial instruments note	-	1,864	1,679

Note 15: Administered - Income		
	2013	2012
	\$'000	\$'000
OWN-SOURCE REVENUE		
Note 15A: Rendering of Services		
Rendering of services – government entities	10,283	9,712
Total rendering of services	10,283	,
Total rendering of services	10,283	9,712
Note 46: Administered Einspeiel Assets		
Note 16: Administered - Financial Assets		
	2013	2012
	\$'000	\$'000
Note 16A: Cash and Cash Equivalents		
Cash on hand or on deposit	230	438
Total cash and cash equivalents	230	438
Note 16B: Trade and Other Receivables		
Goods and services:		
Financial statement audit fees - government entities	4,686	3,901
Total receivables for goods and services	4,686	3,901
Receivables are expected to be recovered in:		
No more than 12 months	4,686	3,901
Total trade and other receivables	4,686	3,901
Receivables were aged as follows:		
Not overdue	4,467	3,864
Overdue by:		
0 to 30 days	110	-
31 to 60 days	26	-
61 to 90 days	29	-
More than 90 days	54	37
Total receivables	4,686	3.901
		- /
Credit terms for goods and services are net 30 days (2012: 30 days).		
Note 16C: Other Financial Assets		
Work in progress - audit related services	1,445	2,218
Total other financial assets	1,445	2,218
	1,440	2,210
Total other financial assets - are expected to be recovered in:		
No more than 12 months	1,445	2,218
Total other financial assets	1.445	2,218
	.,	_,0

Note 17: Administered - Payables		
	2013 \$'000	2012 \$'000
Note 17A: GST Payable		• • • •
GST payable	426	385
Total GST payable	426	385
Payables are usually settled within 30 days.		
Note 18: Administered - Cash Flow Reconciliation	2013	2012
	\$'000	\$'000
Reconciliation of net cost of services to net cash from operating activities:		
Net contribution by services	10,283	9,712
Changes in assets / liabilities		
Increase in trade and other receivables	(785)	(641)
Increase / (decrease) in other financial assets	773	(1,207)
Increase in other payables	41	117
Net cash from operating activities	10,312	7,981

Note 19: Administered - Contingent Assets and Liabilities

Quantifiable Administered Contingencies

There were no quantifiable Administered contingent assets or liabilities as at 30 June 2013 (2012: Nil).

Unquantifiable Administered Contingencies There were no unquantifiable Administered contingent assets or liabilities as at 30 June 2013 (2012: Nil).

### Significant Remote Administered Contingencies

There were no remote Administered contingent assets or liabilities as at 30 June 2013 (2012: Nil).

Note 20: Administered - Financial Instruments			
		2013 \$'000	2012 \$'000
Note 20A: Categories of Financial Instruments			
Financial Assets			
Loans and receivables:			
Cash and cash equivalents	16A	230	438
Receivables for goods and services	16B	4,686	3,901
Total	_	4,916	4,339
Carrying amount of financial assets	_	4,916	4,339

The net fair value of the financial assets approximates their carrying amount.

### Note 20B: Credit Risk

The administered activities of the ANAO are exposed to minimal credit risk as financial assets represent cash and cash equivalents and trade and other receivables. 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 of \$4,686,034 (2012: \$3,900,976).

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. No impairment has been recognised and there are no impaired overdue receivables at 30 June 2013 (2012: nil).

### Note 20C: Market Risk

The ANAO holds basic financial instruments that do not expose the ANAO to market risk. The ANAO is not exposed to financial risk for its financial instruments from movements in currencies, interest rates or prices.

### Note 21: Appropriations

Table A: Annual Appropriations ('Recoverable GST exclusive')

		2013 Ap	2013 Appropriations			Appropriation	
	Appropriation Act		FMA Act			applied in 2013	
					Total		
	Annual Appropriation	Section 30	Section 30 Section 31	Section 32	appropriation	prior years)	Variance
	000.\$	000.\$	\$:000	\$,000	000.\$		000.\$
DEPARTMENTAL							
Ordinary annual services	74,722	27	3,838	1	78,587	74,202	4,385
Total departmental	74,722	27	3,838	•	78,587	74,202	4,385

		2012 Ap	2012 Appropriations			Appropriation	
	Appropriation Act		FMA Act			applied in 2012	
	Annual Appropriation	Section 30	Section 30 Section 31	Section 32	Total Section 32 appropriation	(current and prior years)	Vai
	000.\$	000.\$	\$.000	\$.000	\$.000	\$.000	\$.000
DEPARTMENTAL							
Ordinary annual services	75,590	ı	3,788	I	79,378	74,800	4,578
Other services							
Equity	1			'		398	(398)
Total departmental	75,590		3,788	'	79,378	75,198	4,180

<sup>1</sup> Appropriation Act (No. 2) 2010-11 equity injection funding applied in 2012.

Section 83 of the Constitution provides that no amount may be paid out of the Consolidated Revenue Fund except under an appropriation made by law. The ANAO is not aware of any specific breaches of Section 83.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2013 **Australian National Audit Office** 

### Note 21: Appropriations (Cont'd)

Table B: Departmental Capital Budgets ('Recoverable GST exclusive')

	2013 Capital Bud	2013 Capital Budget Appropriations		Capital Budget A (currei	Capital Budget Appropriations applied in 2013 (current and prior years)	lied in 2013	
	Appropriation Act	FMA Act					
			Total Capital	Total Capital Payments for			
	Appropriations		Budget	non-financial	Payments for	Total	
	Annual Capital Budget red	reduced Section 32	Appropriations	assets <sup>2</sup>	other purposes payments	payments	Variance
	\$,000	\$:000 \$	\$.000	\$.000	\$.000	\$.000	\$.000
DEPARTMENTAL							
Ordinary annual services -							
Departmental Capital Budget <sup>1</sup>	898	-	898	(768)	-	(768)	130

	2012 Capita	al Budget Ar	2012 Capital Budget Appropriations		Capital Budget A (curre	Capital Budget Appropriations applied in 2012 (current and prior years)	lied in 2012	
	Appropriation Act		FMA Act					
	And	Annonriations		Total Capital Budget	Payments for	Pavments for	Total	
	Annual Capital Budget	reduced	reduced Section 32	Approp	assets <sup>2</sup>	assets <sup>2</sup> other purposes	payments Variance	Variance
	\$-000	\$,000	\$.000	\$,000	\$.000	\$,000	\$,000	\$.000
DEPARTMENTAL								
Ordinary annual services -								
Departmental Capital Budget <sup>1</sup>	1,173	1	'	1,173	(1,188)	'	(1,188)	(15) <sup>3</sup>

Notes:

Appropriation Ads. For more information on ordinary annual services appropriations, please see Table A: Annual appropriations. 2. Payments made on non-financial assets include purchases of assets, expenditure on assets which has been capitalised and costs incurred to make good an asset to its original 1. Departmental Capital Budgets are appropriated through Appropriation Acts (No. 1,3,5). They form part of ordinary annual services, and are not separately identified in the

3. In 2011-12 the ANAO utilised \$303,959 of unspent Departmental Capital Budget from prior years. The remaining unspent 2011-12 Departmental Capital Budget at 30 June 2012 was \$28,692.

FINANCIAL RESULTS

PART 5

### Note 21: Appropriations (Cont'd)

### Table C: Unspent Annual Appropriations ('Recoverable GST exclusive')

	2013	2012
Authority	\$'000	\$'000
DEPARTMENTAL		
Appropriation Act (No. 1) 2004-05	-	7,559
Appropriation Act (No. 5) 2005-06	-	519
Appropriation Act (No. 1) 2009-10	-	4,962
Appropriation Act (No. 1) 2010-11	-	8,023
Appropriation Act (No. 1) 2011-12	-	6,129
Appropriation Act (No. 1) 2012-13	31,577	-
Total	31,577	27,192

### Table D: Special Appropriations ('Recoverable GST exclusive')

			Appropriation	applied
Authority	Туре	Purpose	2013 \$'000	2012 \$'000
Auditor-General Act 1997, Schedule 1 sections 3 and 7	Unlimited Amount	Remuneration, expenses and allowances of the office of the Auditor-General	550	474
Total			550	474

### Note 22: Special Accounts

### Note 22A: Special Accounts (Recoverable GST exclusive)

The 'Services for Other Entities and Trust Moneys' Special Account was established on 26 June 2012 under *Financial Management and Accountability (Establishment of SOETM Special Account – ANAO) Determination* 2012/06.

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

(a) disburse amounts held on trust or otherwise for the benefit of a person other than the Commonwealth;

(b) to disburse amounts in connection with services performed on behalf of other governments and bodies that are not FMA Act agencies; and

(c) to repay amounts where an act or law requires or permits the repayment of an amount received.

The Special Account had a nil balance as at 30 June 2013 (2012: nil) and has not been used during the current or previous financial year.

Note 23: Compensation and Debt Relief		
	2013 s	2012 \$
Compensation and Debt Relief - Departmental No 'Act of Grace' payments were expensed during the reporting period (2012: No payments).	-	- 
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act</i> 1997 (2012: No waivers).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration Scheme during the reporting period (2012: No payments)	-	-
No ex-gratia payments were provided for during the reporting period. (2012: No payments).	-	
One payment was made under section 73 of the <i>Public Service Act 1999</i> during the reporting period (2012: No payments made).	30,000	
Compensation and Debt Relief - Administered		
No 'Act of Grace' payments were expensed during the reporting period (2012: No payments).	-	-
No waivers of amounts owing to the Australian Government were made pursuant to subsection 34(1) of the <i>Financial Management and Accountability Act</i> 1997 (2012: No waivers).	-	-
No payments were provided under the Compensation for Detriment caused by Defective Administration Scheme during the reporting period (2012: No payments)	-	-
No ex-gratia payments were provided for during the reporting period. (2012: No payments).	-	

### Note 24: Reporting of Outcomes

The ANAO uses an Activity Based Costing System to determine the attribution of its shared items that is updated annually. The basis of attribution in the table below is consistent with the basis used for the Portfolio Budget Statements.

### Note 24A: Net Cost of Outcome Delivery

	Outcom	ne 1	Outcom	ne 2	Tota	I
	Assurance Servic		Performand Servic			
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental						
Expenses	44,764	46,047	29,628	31,604	74,392	77,651
Own-source income	2,575	2,211	838	955	3,413	3,166
Administered						
Expenses	-	-	-	-	-	-
Own-source income	10,283	9,712	-	-	10,283	9,712
Net cost of outcome delivery	31,906	34,124	28,790	30,649	60,696	64,773

Note 24B: Major Classes of Departmental Expense, Income, Assets and Liabilities by Outcome

	Outcon	ne 1	Outcon	Outcome 2		Total	
	Assurance Audit		Performanc	e Audit			
	Services		Servic	Services			
	2013	2012	2013	2012	2013	2012	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Expenses							
Employee benefits	20,258	20,135	20,935	21,672	41,193	41,807	
Suppliers	23,377	24,862	7,731	9,035	31,108	33,897	
Depreciation and amortisation	1,127	1,028	960	879	2,087	1,907	
Other expenses	2	22	2	18	4	40	
Total	44,764	46,047	29,628	31,604	74,392	77,651	
Income							
Income from government	44,452	44,673	29,922	30,218	74,374	74,891	
Sale of goods and services	2,482	2,120	759	877	3,241	2,997	
Rental income	93	91	79	78	172	169	
Total	47,027	46,884	30,760	31,173	77,787	78,057	
Assets							
Cash and cash equivalents	350	425	299	362	649	787	
Trade and other receivables	17,727	15,070	15,100	12,837	32,827	27,907	
Other financial assets	118	206	101	176	219	382	
Land and buildings	2,447	2,888	2,084	2,460	4,531	5,348	
Property, plant and equipment	692	827	589	704	1,281	1,531	
Intangibles	883	881	752	751	1,635	1,632	
Other non-financial assets	463	433	394	369	857	802	
Total	22,680	20,730	19,319	17,659	41,999	38,389	
Liabilities							
Suppliers	1,594	2,227	1,358	1,898	2,952	4,125	
Operating lease	558	665	476	567	1,034	1,232	
Other payables	633	706	540	602	1,173	1,308	
Employee provisions	7,348	6,903	6,259	5,881	13,607	12,784	
Total	10,133	10,502	8,633	8,947	18,766	19,449	

Outcomes 1 and 2 are described in Note 1. Net costs shown include intra-government costs that are eliminated in calculating the actual budget outcome.

### Note 24: Reporting of Outcomes (Cont'd)

Note 24C: Major Classes of Administered Expenses, Income, Assets and Liabilities by Outcome

	Outcome 1 Assurance Audit		Outcom	e 2	Total	
			Performance	Audit		
	Service	es	Service	s		
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income						
Sale of goods and services	10,283	9,712	-	-	10,283	9,712
Total	10,283	9,712	-	-	10,283	9,712
Assets						
Cash and cash equivalents	230	438	-	-	230	438
Receivables	4,686	3,901	-	-	4,686	3,901
Work in progress	1,445	2,218	-	-	1,445	2,218
Total	6,361	6,557	-	-	6,361	6,557
Liabilities						
GST payable	426	385	-	-	426	385
Total	426	385	-	-	426	385

Outcomes 1 and 2 are described in Note 1.

Note 25: Net Cash Appropriation Arrangements		
	2013	2012
	\$'000	\$'000
Total comprehensive income less depreciation/amortisation expenses previously		
funded through revenue appropriations <sup>1</sup>	5,482	2,449
Plus: depreciation/amortisation expenses previously funded through revenue		
appropriation	(2,087)	(1,907)
Total comprehensive income - as per the Statement of Comprehensive Income	3,395	542

<sup>1</sup> From 2010-11, the Government introduced net cash appropriation arrangements, where revenue appropriations for depreciation/amortisation expenses ceased. Entities now receive a separate capital budget provided through equity appropriations. Capital budgets are to be appropriated in the period when cash payment for capital expenditure is required.

### APPENDIXES PART 6

### APPENDIX 1—STAFFING STATISTICS

### TABLE A1.1 STAFFING PROFILE AT 30 JUNE 2013

Classification	2012–13	2011–12
SES Band 3	1	1
SES Band 2	6	6
SES Band 1	21	21
EL 2	81	83
EL 1	64	59
APS 6	60	67
APS 5	50	36
APS 4	39	41
APS 3	17	17
APS 2	4	6
APS 1 (Undergraduate)	4	6
Graduate	26	22
Total	373	365

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

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

### TABLE A1.2 ANAO PAID OPERATIVE STAFF (EMPLOYED UNDER THE *PUBLIC SERVICE ACT 1999*) AT 30 JUNE, 2012 AND 2013

Location		June 2013	June 2012			
	Audit	Non-audit	Subtotal	Audit	Non-audit	Subtotal
ACT	285	61	346	283	59	342
Total	285	61	346	283	59	342

Note: Excludes 27 inoperative staff as at 30 June 2013. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

Classification	Full-	time	Part-	time	Non-o	ngoing	То	tal
	М	F	М	F	М	F	М	F
SES Band 3	1	-	-	-	-	-	1	-
SES Band 2	5	1	-	-	-	-	5	1
SES Band 1	14	7	-	-	-	-	14	7
EL 2	33	32	3	8	2	2	38	42
EL 1	29	26	-	5	-	2	29	33
APS 6	19	29	2	8	-	-	21	37
APS 5	21	23	-	-	1	1	22	24
APS 4	11	26	1	-	1	-	13	26
APS 3	1	13	-	2	_	_	1	15
APS 2	1	-	-	2	-	1	1	3
APS 1 (Undergraduate)	_	-	-	-	2	2	2	2
Graduate	15	11	-	-	-	-	15	11
Subtotal	150	168	6	25	6	8	162	201
Total	31	8	3	1	14	4	36	63

### TABLE A1.3 PAID FULL-TIME, PART-TIME AND NON-ONGOING STAFF AT 30 JUNE 2013

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

Note: Includes paid operative and inoperative staff, but excludes 10 unpaid staff who were on leave without pay. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

### TABLE A1.4 MEMBERS OF WORKPLACE DIVERSITY GROUPS, 2012–13

Salary range	Women	NESB1	NESB2	ATSI	PWD
APS 1 and undergraduates	2	1	3	_	_
APS 2–3 and graduates	30	7	8	-	_
APS 4–5	54	13	11	1	-
APS 6-EL 1	71	16	10	1	_
EL2–SES Band 3	51	8	6	-	-
Total	208	45	38	2	0
Proportion of total staff <sup>a</sup>	56%	12%	10%	<1%	0%
Proportion of total staff 2011–12 $^{\rm b}$	55%	11%	8%	<1%	<1%

APS = Australian Public Service, EL = Executive Level

Note: As self-reported by staff on commencement with the ANAO.

a The total number of staff for 2012–13 was 373, including operative and inoperative staff.

b The total number of staff for 2011–12 was 365, 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.

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	27	255,961	9,480	5,000	16,000
EL 2	3	18,066	6,022	5,400	6,841
EL 1	2	9,704	4,852	4,703	5,001
APS 6	2	8,042	4,021	4,021	4,021
APS 5	1	3,620	3,620	3,620	3,620
APS 4	1	3,137	3,137	3,137	3,137
APS 1-3	-	-	-	-	-
Total	36	298,530			

### TABLE A1.5 PERFORMANCE PAYMENTS IN 2012–13

APS = Australian Public Service, EL = Executive Level, SES = Senior Executive Service

### APPENDIX 2—SUMMARY OF REPORTS TABLED IN 2012–13

### TABLE A2.1 SINGLE-PORTFOLIO REPORTS, BY PORTFOLIO, 2012–13

### No. Description

### Agriculture, Fisheries and Forestry

### 20 Administration of the Domestic Fishing Compliance Program

The objective of the audit was to assess the effectiveness of the Australian Fisheries Management Authority's (AFMA's) administration of the Domestic Fishing Compliance Program. The Domestic Compliance Program is a key element of AFMA's regulatory framework and includes education and awareness activities, a general deterrence inspections program, and targeted risk mitigation activities undertaken by Compliance Risk Management Teams.

Overall, the audit found that AFMA had developed and implemented effective arrangements for administering its centralised Domestic Compliance Program. The delivery of targeted compliance activities aimed at reducing or eliminating key compliance risks was based on compliance intelligence and a documented risk assessment framework. Compliance activities were effectively planned and delivered in accordance with AFMA's internal policies and guidelines. Compliance investigations reviewed by the ANAO adhered to the Australian Government Investigations. Standards 2011, which is a requirement for all public sector agencies conducting investigations. Operating within the available enforcement framework, AFMA's enforcement actions were guided by internal policies and guidelines, consistently applied, and generally recorded appropriately in the authority's case management systems. AFMA had also undertaken considerable work to implement the recommendations of the ANAO's 2009 audit of the Domestic Compliance Program.

The audit observed that it will be important for AFMA to adopt a structured approach to monitoring existing and emerging risks to assess their likelihood and potential consequences, and to implement appropriate mitigation strategies, in the period between biennial risk assessments. Also, AFMA's measurement and reporting of performance for the Domestic Compliance Program would be enhanced by the development of measures and targets across all key compliance risks and activities, rather than the existing partial coverage. The ANAO made two recommendations directed towards these areas.

### 22 Administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program

The objective of the audit was to examine the effectiveness of the Department of Agriculture, Fisheries and Forestry's (DAFF's) administration of the Tasmanian Forests Intergovernmental Agreement Contractors Voluntary Exit Grants Program (IGACEP). Under the IGACEP, eligible businesses (contractors and subcontractors) from the native forest harvest, haulage and silvicultural contracting sectors could nominate an amount (up to \$3 million) to exit the industry. A successful grant recipient (a business and the directors/owners) was required to exit from public native forest operations in Tasmania and not re-enter the forest industry nationally for 10 years (except to the extent of existing contractual arrangements in the mainland sector, the Tasmanian private native forest sector or the Tasmanian plantation sector).

While 58 forest contracting businesses received funding to exit the Tasmanian public native forest sector under the IGACEP, there were weaknesses in key aspects of DAFF's administration that adversely impacted on the effectiveness of program delivery. In particular, the basis for the assessment of eligibility where applicants had not provided the required documentation, but had received funding, was not clearly recorded by the department. Further, the process used to assess applications was not in keeping with elements of the approach outlined in the guidelines, for example, the use of a funding cap as the basis for assessing whether the panel would recommend a funding offer that was lower than the amount nominated by the applicant to exit the industry. DAFF's adoption of assessment practices that were outside the published program guidelines, in the absence of advice to applicants, ultimately reduced the transparency and accountability of the assessment process.

The ANAO made three recommendations that were directed towards improving DAFF's grants administration practices by reinforcing the importance of: documenting all elements of the assessment process; informing applicants of significant changes to assessment processes and the methods used to determine grant funding offers outlined in the program guidelines; and preparing compliance strategies early in the design phase of grants programs.

### Attorney-General's

### 13 The Provision of Policing Services to the Australian Capital Territory

The objective of the audit was to assess the effectiveness of the Australian Federal Police's (AFP's) management of the delivery of policing services to the ACT. Policing services in the ACT are delivered on a fee for service basis under the terms of a five-year Policing Arrangement and an annual Purchase Agreement. For 2012–13, the annual cost of some 932 full-time equivalent staff was around \$146 million.

The audit concluded that the AFP was effectively managing the delivery of policing services to the ACT. The AFP was delivering the level and type of community policing services agreed with the ACT Government, and was consistently meeting the majority of its performance targets. The purchaser– provider relationship between ACT Policing and the ACT Government was mature and operating well. ACT Policing had sound governance and management processes for strategic planning and risk management, operational guidance and training for its officers. Key stakeholders, including the ACT Police Minister, advised the ANAO that ACT Policing was delivering effective policing services and had well-established reporting and accountability arrangements with the ACT Government.

The ANAO made two recommendations relating to the AFP: documenting the approach taken in arriving at a price for the provision of policing services in the Purchase Agreement and agreeing the cost base for enabling services with the ACT Government; and liaising with the ACT Directorate of Justice and Community Safety and the ACT Ombudsman to agree an appropriate method of reporting complaints against police.

### 30 Management of Detained Goods

The objective of the audit was to assess the effectiveness of the Australian Customs and Border Protection Service's (Customs and Border Protection's) arrangements for managing the safe and secure storage and disposal of detained goods. In 2011–12, Customs and Border Protection detained 124,792 items where they were subject to restrictions and prohibitions on entry to Australia, or where import duties were owed. These goods were stored in one of over 70 Temporary Storage Facilities or Detained Goods Stores located around Australia.

The audit concluded that Customs and Border Protection had a generally sound administrative framework to control and account for detained goods. However, the implementation of some key controls fell short of the agency's requirements, reducing the overall effectiveness of the framework. During the course of the audit, the ANAO opened 528 packages of detained goods to compare their contents against corresponding electronic records. There were no goods identified as missing and 14 items (2.7 per cent) had discrepancies in the recorded quantities. These discrepancies included small quantities of narcotics (1.2 grams or less), cigarettes (more than 10,000 sticks) and counterfeit makeup (two items).

The ANAO made three recommendations aimed at: improving performance monitoring of Temporary Storage Facilities; assessing the risks associated with use of the Detained Goods Management System; and aligning the period for which closed-circuit camera footage is retained with the timing of firearms counts.

### 47 AUSTRAC's Administration of its Financial Intelligence Function

The objective of the audit was to assess the effectiveness of the Australian Transaction Reports and Analysis Centre's (AUSTRAC's) arrangements for processing financial intelligence, to assist domestic partner agencies and international counterparts in their operations and investigations. In its role as a specialist financial intelligence unit (FIU), AUSTRAC collates and assesses the financial transaction reports provided by regulated entities and disseminates the resulting financial intelligence to its 39 domestic partner agencies to assist them in their investigations. AUSTRAC's financial intelligence is highly valued by partner agencies for its contribution to their operations and management of risks.

The audit concluded that AUSTRAC had mature arrangements to process assessments and disseminate financial intelligence reports to domestic partner agencies and international counterparts. A sound quality assurance mechanism was also in place for all financial intelligence reports. However, there was room to strengthen the administration of the financial intelligence function, particularly in terms of monitoring and reviewing feedback provided by partner agencies about the intelligence AUSTRAC disseminates. In addition, AUSTRAC's approach to measuring and reporting its performance provided only limited insight into whether it was meeting the objectives of the FIU and into the impact of the program overall.

The ANAO made three recommendations directed towards improving AUSTRAC's arrangements for processing financial intelligence, related to: periodically reviewing access to, and dissemination of, AUSTRAC financial intelligence; improving the assessment of financial intelligence; and providing greater assurance and transparency in AUSTRAC's public reporting of performance against program deliverables and key performance indicators.

### Broadband, Communications and the Digital Economy

### 2 Administration of the Regional Backbone Blackspots Program

The objective of the audit was to assess the effectiveness of the Department of Broadband, Communications and the Digital Economy's (DBCDE's) administration of the Regional Backbone Blackspots Program (RBBP), involving the establishment and ongoing management of the program. Under the RBBP, the Australian Government funded the construction of a network of fibre-optic transmission backhaul across Australia, with the Government retaining ownership of the backhaul infrastructure. The backhaul infrastructure passes through specific regional locations, selected by the Government, where there was a lack of competitive backhaul services—that is, 'competitive blackspots' for backhaul.

The audit concluded that DBCDE established effective arrangements to administer the RBBP. Program implementation involved the selection of priority locations; the procurement of a firm to design, construct and operate the backhaul infrastructure; and, subsequently, the management of the agreement with the selected firm. DBCDE developed and implemented appropriate and effective procurement arrangements and established a well-designed agreement, with features promoting quality construction and competitively priced and reliable backhaul services. The department also put in place sound systems and processes to manage the agreement for the initial construction phase and the ongoing operations phase, which will continue until 2017.

The ANAO made one recommendation to enhance DBCDE's administration of such programs in the future, through the early: development of implementation plans that cover the projected life of the program and establish the basis on which to monitor and report performance against program objectives; and identification of performance information requirements and collection of data to support the monitoring and reporting of program performance.

### Defence

### 5 Management of Australia's Air Combat Capability—F/A-18 Hornet and Super Hornet Fleet Upgrades and Sustainment

The objective of the audit was to assess the upgrade and sustainment of the F/A-18A/B Hornet fleet, and the sustainment of the newly acquired F/A-18F Super Hornet fleet. The Royal Australian Air Force (RAAF) fleets of 71 F/A-18A/B Hornet aircraft and 24 F/A-18F Super Hornet aircraft form the basis of the RAAF's air combat and airborne ground-attack capability. These aircraft are to be replaced by F-35A Lightning II aircraft to be acquired from the United States Department of Defense by the Australian Department of Defence (Defence), through the AIR 6000 New Air Combat Capability Project.

The audit found Defence's management approach to the F/A-18 fleets had been effective in identifying, in a variety of dimensions, the risks to their continued delivery of the required capability until their current Planned Withdrawal Dates. Defence had also been active in putting in place mitigation measures for these risks. However, there are significant risks that will require close management by Defence in the final stages of sustainment of the F/A-18A/B fleet in particular, when airframe hours flown and fatigue-life expended will be greatest.

The ANAO did not make any formal recommendations for administrative improvements in Defence's management of the Australian Defence Force's air combat capability in this audit report (or in its companion report, Audit Report No.6 2012–13, *Management of Australia's Air Combat Capability—F-35A Joint Strike Fighter Acquisition*). This is because, in the context of this complex transition in capability from the F/A-18 fleets, which includes the increasingly aged fleet of F/A-18A/Bs, to a future capability based on a next-generation multi-role aircraft being developed and produced by another nation, the audit found that program management by successive Australian governments and Defence had been measured, and based on appropriate information and planning.

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### 6 Management of Australia's Air Combat Capability—F-35A Joint Strike Fighter Acquisition

The objective of the audit was to assess the progress of the AIR 6000—New Air Combat Capability project in delivering the required combat aircraft within approved cost, schedule and performance parameters, as well as Defence's arrangements to ensure that it has adequate insight into the development and production of the F-35A. This audit provided an Australian perspective on the Australian Government's participation in the United States' Joint Strike Fighter (JSF) Program. This program is producing the F-35A Lightning II multi-role combat aircraft selected by the Government to replace the RAAF's 71 F/A-18A/B Hornet aircraft by about 2020, and its 24 F/A 18F Super Hornet aircraft in 2025.

The audit found that Australia's partnership with the United States in the JSF Program, including in terms of Defence staff working within the JSF Program Office, had provided Defence with considerable insight into the status and risks of the program and the actions that the United States Department of Defense was taking to mitigate those risks.

Overall, the development and production of F-35A aircraft had progressed more slowly and at greater cost than first estimated. Nonetheless, recent indications were that initiatives to improve performance were starting to show results, in terms of software development, milestones being more closely adhered to, and planned flight test targets being reported as met or exceeded in 2011–12. However, a full assessment as to how effectively that progress can be maintained will be some years off.

The ANAO did not make any formal recommendations for administrative improvements in Defence's management of the ADF's air combat capability in this audit report (or in its companion report, Audit Report No.5 2012–13, *Management of Australia's Air Combat Capability—F/A-18 Hornet and Super Hornet Fleet Upgrades and Sustainment*). This is because, in the context of the JSF Program where there are many dependencies not under Australia's control, the approach adopted to date by Australian governments and Defence had provided appropriate insight into the program, in support of informed decision-making.

9 Delivery of Bereavement and Family Support Services through the Defence Community Organisation

The objective of the audit was to assess the management and effectiveness of the Defence Community Organisation's (DCO's) delivery and coordination of support services to Australian Defence Force (ADF) families, in particular support services provided when an ADF member is seriously injured or ill, or dies in service. Defence invests significantly in the provision of support services to ADF members and their families through DCO, which had a budget of \$38.5 million in 2012–13.

Overall, Defence's management and delivery of ADF family support services, through DCO, had substantial strengths and Defence was broadly successful in delivering assistance to ADF members and families. However, there were aspects of DCO's management and delivery of its services that could be improved, including DCO's management of client confidentiality when providing bereavement support and counselling services to ADF families, and DCO's administration of some bereavement entitlements. Additionally, there were broader issues going beyond DCO that required attention, such as the status of de facto partners of ADF members with regard to Defence entitlements and family support in bereavement and when members are ill or injured.

The ANAO made recommendations to assist Defence and DCO to achieve improvements in the provision of ADF family support by: reviewing the definition of 'next of kin' and improving guidance to ADF members; improving the management of privacy, particularly in the context of the provision of support services for bereaved families, and engaging with the Office of the Australian Information Commissioner to resolve privacy issues; and clarifying and communicating the eligibility criteria for DCO family counselling services.

### 15 2011–12 Major Projects Report

The objective of this report was to provide assessment and analysis by the ANAO of information provided by the Defence Materiel Organisation (DMO) on 29 major projects; and comprehensive information on the status of projects as advised by DMO. DMO provides information on projects in Project Data Summary Sheets (PDSSs); the information to be provided is agreed by the Joint Committee of Public Accounts and Audit (JCPAA). The fifth such annual review, this year's report covered projects with approved budgets totalling \$47.3 billion, or over half DMO's approved major capital investment program.

The report provides analysis on the three key elements of the PDSSs—cost, schedule and capability—in particular, longitudinal analysis across these key elements of projects over time; and further insights and context by DMO on issues highlighted during the year.

For the first time, the conclusion of the review of the PDSSs was unqualified: that is, nothing had come to the attention of the ANAO that caused us to believe that the information in the PDSSs, within the scope of the review, had not been prepared, in all material aspects, in accordance with the PDSS Guidelines that were endorsed by the JCPAA in May 2012 (following removal of the requirement for base date dollars).

The DMO data indicated that at 30 June 2012: cost had not been a major issue to date; the total time for the 29 major projects to achieve their final operational capability date was expected to be almost one-third longer than was originally planned; and DMO expected to deliver almost all capabilities associated with the major projects in the report. Maintaining major projects on schedule remained the most significant challenge for DMO and industry contractors.

In February 2012, the JCPAA identified the DMO Major Projects Report as a 'Priority Assurance Review' under section 19A(5) of the *Auditor-General Act 1997*, and the ANAO's review of the individual project PDSSs was conducted in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000. By its limited assurance nature, this review was not as extensive as individual performance audits conducted by the ANAO, in terms of the nature and scope of project issues covered, and the extent to which evidence was required by the ANAO. Consequently, the level of assurance provided by this review in relation to the 29 major projects is less than that typically provided by our performance audits.

### 25 Defence's Implementation of Audit Recommendations

The objective of the audit was to assess the effectiveness of Defence's monitoring of the implementation of ANAO and internal audit recommendations. The audit also examined a sample of ANAO and internal audit recommendations, reported as being complete by Defence, to assess the extent to which these recommendations had been implemented by Defence.

Defence's system for implementing audit recommendations exhibited many positive elements, such as having a clear process for assigning responsibility, and systematic monitoring and reporting on progress by Defence Internal Audit. There was also a generally clear allocation of roles and responsibilities within Defence. However, there were weaknesses in Defence's system with respect to following-up on slow implementation, escalating to senior management where there were continuing difficulties, and achieving closure on the implementation of recommendations within specified timeframes. Additionally, approximately half of the 28 ANAO recommendations examined in the audit (all of which had been reported as implemented by Defence) were assessed as not being adequately implemented. These outcomes indicated that monitoring and reporting are a necessary but not sufficient condition for achieving the timely and adequate implementation of audit recommendations.

The monitoring of audit recommendations was not one of the Defence Audit and Risk Committee's stated priorities, although it was a requirement under the committee's charter. The committee also had an important charter responsibility in encouraging a stronger focus on this aspect of Defence's administration.

To improve Defence's management and implementation of audit recommendations, the ANAO made two recommendations aimed at reinforcing management responsibilities and accountabilities for the implementation of audit recommendations.

### 26 Remediation of the Lightweight Torpedo Replacement Project

The objective of the audit was to assess the effectiveness of remediation arrangements put in place by Defence and DMO to resolve issues impacting on the achievement of the desired lightweight torpedo capability. Defence's Joint Project 2070 (JP2070) is replacing the ADF's existing ship launched anti-submarine weapon (the Mk46 lightweight torpedo) with a new generation torpedo (the MU90 lightweight torpedo). The ANAO previously audited Defence's progress in acquiring and introducing into service the replacement lightweight torpedo (the MU90). The previous audit, released in May 2010, concluded that the project had not been managed effectively.

The current audit found that Defence had been effective in progressing JP2070 to the point where there was a clear path to completion of the project's current scope. In particular, a platform integration solution had been developed and was being rolled out, and operational test and evaluation firings were almost complete (with the exception of a warshot firing planned for mid-2013). However, there are a range of issues which will impact on this capability over its life cycle: limited intellectual property access rights; the acquisition of a simulator which did not fully meet requirements and may not be viable over the longer term; the inability to verify over two-thirds of the warshot torpedo's performance requirements; and the need to manage a mixed inventory of very different lightweight torpedoes into the long term, with whole-of-life cycle cost and resource implications. The causes of most of these issues resulted from Defence's handling of this project in its early stages. The project had a six-year delay, a significant real cost increase, and will not deliver the full capability originally expected.

Given the significant future cost and personnel pressures arising from the need to support two very different inventories of lightweight torpedoes, the ANAO recommended that Defence analyse and plan for the whole-of-life costs for operating and sustaining the mixed fleet of lightweight torpedoes.

### Education, Employment and Workplace Relations

### 7 Improving Access to Child Care—the Community Support Program

The objective of the audit was to assess the effectiveness of the Department of Education, Employment and Workplace Relations' (DEEWR's) administration of Community Support Program (CSP) funding. The Australian Government established the CSP during 2004 to improve access to child care, especially in areas where the market would otherwise fail to provide services.

The audit concluded that DEEWR's administration of delivery arrangements for the CSP funding was generally sound. DEEWR had effective processes in place to assess the eligibility of applicants in a timely fashion and payments made under the program and examined by the ANAO were accurate and timely. In relation to program monitoring, provider reporting arrangements achieved a reasonable balance between the level of assurance obtained from child care providers on their service delivery, and the associated workload for those providers and DEEWR. DEEWR had also continued to improve program delivery arrangements in response to a series of reviews.

While the administration of delivery arrangements had been generally sound, DEEWR had not evaluated the effectiveness of the program's design in improving access to child care since assuming responsibility for the program in 2007. During this period, DEEWR had maintained the CSP eligibility criteria and payment rates used to target funding, and the child care sector had continued to expand with increasing demand for places. In this context, the majority of CSP funding to formal child care for 2011–12 (approximately 71 per cent) was allocated to support the sustainability of one type of child care. Family Day Care, which accounted for approximately 10 per cent of all children in formal care. In contrast, 21 per cent of CSP funding was allocated to the two main types of care, Long Day Care and Outside of School Hours Care, which together accounted for approximately 90 per cent of all children in formal care. While there are a range of factors which influence access to child care, these points suggested a need for DEEWR to assess whether the program's settings remained appropriate for achieving the greatest gains in relation to the program objective. Having reviewed the program's settings, DEEWR should develop suitable performance measures as a basis for its ongoing assessment of the program's performance.

The ANAO made two recommendations directed towards DEEWR evaluating and strengthening the effectiveness of CSP funding.

### 14 Delivery of Workplace Relations Services by the Office of the Fair Work Ombudsman

The objective of the audit was to assess the effectiveness of Fair Work Ombudsman's (FWO's) administration of education and compliance services in relation to the *Fair Work Act 2009*. The main functions of FWO under the Act are to: provide information and advice about the workplace relations system; educate people about their workplace rights and obligations; investigate suspected contraventions of workplace laws, awards and agreements; and litigate to enforce workplace laws and to deter people from not complying with their workplace responsibilities.

The audit concluded that FWO's administration of education and compliance services in relation to the Act had generally been sound, with scope for the agency to improve its use of information and analysis to further inform service delivery strategies. FWO had delivered a good range of well developed services to support compliance with workplace laws. Appropriate training and guidance material underpinned FWO's program delivery, and the agency had established monitoring and reporting mechanisms.

FWO had strengthened the design and content of its website to assist in meeting the information needs of clients without intervention. It also had recently formalised mediation as another mechanism to resolve workplace complaints in a timely manner and developed and implemented a diverse range of agency change projects. However, FWO could improve its overall program planning and monitoring approaches by integrating risk management into these activities, and by systematically measuring the effectiveness and efficiency of its workplace relations services.

The objective of FWO's single program is 'to educate employers, employees, organisations and contractors about the workplace relations system and to ensure compliance with workplace laws'. The FWO key performance indicators in the Education, Employment and Workplace Relations Portfolio Budget Statements did not directly measure the effectiveness of FWO's program in achieving its objective and contributing to FWO's outcome. FWO should develop effectiveness measures and targets for underlying levels of non-compliance with workplace laws, and for stakeholder satisfaction with the quality of its information, advice and education (as identified through an annual client survey).

The ANAO made two recommendations which aimed to assist FWO to strengthen its overall approach to service delivery in support of the reformed workplace relations system.

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### 38 Indigenous Early Childhood Development: Children and Family Centres

The objective of the audit was to assess the effectiveness of DEEWR's role in the delivery of the Children and Family Centre (CFC) component of the National Partnership Agreement on Indigenous Early Childhood Development (IECD NP). Through this agreement, funding was provided to state and territory governments for:

- the establishment of a minimum of 35 CFCs in urban, regional and remote areas with high Indigenous populations and disadvantage; and
- the provision of early learning, child care and parent and family support services to Indigenous families at or through each of the CFCs.

The establishment of CFCs was intended by the Council of Australian Governments (COAG) to be an important service delivery reform to provide a platform for ongoing integrated service delivery. Progress against the key outputs of establishing CFCs and using them to deliver integrated services has been made but not to the level expected. The funding of \$292.6 million was based on the expectation that all CFCs would be constructed and operational by June 2012. As at May 2013, services were being provided from 33 locations. Of these, however, only 13 centres were operating from completed premises; 20 centres were operating from interim facilities. There were five locations where no services were being provided. Due to the longer than expected construction times and performance information issues, DEEWR was not well positioned to determine the impact that funding provided to date had in relation to the IECD NP's objectives, and limited analysis had been undertaken in relation to the effectiveness of CFCs.

The ANAO made two recommendations aimed at strengthening the delivery of DEEWR's central role in the IECD NP. The first related to conducting analysis and developing advice regarding the effectiveness of CFC service delivery and operating models to assist in informing any future initiatives in relation to improving Indigenous early childhood outcomes. The second was aimed at increasing the public reporting on progress and the achievement of the objectives of the IECD NP, including the service delivery reforms expected to improve outcomes for Indigenous children.

### 43 Establishment, Implementation and Administration of the General Component of the Local Jobs Stream of the Jobs Fund

The objective of the audit was to assess the efficiency and effectiveness of the establishment, implementation and administration of the general component of the Local Jobs stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives. The Local Jobs stream was established to fund community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage, and comprised a \$200 million general component and two quarantined components (\$60 million for heritage projects and \$40 million for bike paths).

The audit concluded that the approach taken by DEEWR to program implementation and administration was, in a number of important respects, considerably more robust than the approach taken in respect to other elements of the Jobs Fund audited by the ANAO. It was also evident that DEEWR had adopted some important improvements to its approach for the second round compared with the first round. Consistent with the employment stimulus objective, DEEWR implemented the program in a short timeframe, and projects funded under the Local Jobs stream contributed to the provision of employment and training opportunities in areas affected by the global economic downturn. Nevertheless, delays in establishing funding agreements and subsequent project implementation delays affected the rate of program expenditure and, consequently, the timeliness with which employment benefits were achieved. Aspects of the methodology adopted for identifying the actual employment and training outcomes of each project reduced the reliability of DEEWR's performance information as a measure of the employment stimulus directly generated. In addition, aspects of the approach taken by DEEWR diminished the capacity for the documented selection processes to demonstrate that the projects approved under each round were the most meritorious in terms of the program guidelines. The inclusion of a mechanism to establish a final merit ranking of all competing projects incorporating relevant selection deliberations would have significantly enhanced the capacity to demonstrate that the funded projects represented the most meritorious in terms of the published program guidelines.

The ANAO made one recommendation relating to the design of the program guidelines and selection processes to be applied by DEEWR in future competitive grant programs.

### 55 Indigenous Employment: the Australian Government's contribution to the Australian Employment Covenant

The objective of the audit was to assess the effectiveness of DEEWR's management of the Australian Government's contribution to the Australian Employment Covenant (the Covenant). The Covenant was launched on 30 October 2008 by its founder, Mr Andrew Forrest, and the Prime Minister, Kevin Rudd, with the aspiration of securing 50,000 sustainable jobs to be filled by Indigenous Australians. The Australian Government's contribution to the Covenant included a short-term financial contribution and broader longer-term commitments to facilitating the identification, recruitment, preparation and ongoing support for Indigenous job seekers for successful placement with Covenant employers.

The audit concluded that the Covenant represented an innovative approach to collaboration between the public and private sectors to encourage community involvement and support in the delivery of policy outcomes. While the partnership achieved some of its aims in relation to employment outcomes and generating job commitments from business and industry, it did not facilitate the expected level of ongoing collaboration. DEEWR's management of the Australian Government's contribution was effective in part, but there was limited performance information available to accurately measure the Australian Government's contribution to the Covenant. Future joint initiatives would benefit from consideration as to where existing service delivery models can be adapted to better support partnership approaches.

The ANAO made one recommendation directed at DEEWR developing options, in consultation with the Australian Employment Covenant, to clarify the Australian Government's approach and ongoing contribution to the Covenant and more effectively measuring the Australian Government's contribution to the initiative.

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### Families, Housing, Community Services and Indigenous Affairs

### 8 Australian Government Coordination Arrangements for Indigenous Programs

The objective of the audit was to assess the effectiveness of Department of Families, Housing, Community Services and Indigenous Affairs' (FaHCSIA's) performance of its lead agency role in coordinating whole-of-government commitments to closing the gap in Indigenous disadvantage. Australian Government expenditure on Indigenous programs is administered by Australian Government agencies, and delivered either through funding agreements for particular activities with non-government organisations (including for profit and not-for-profit organisations) and local government, or through direct services to individuals. State and territory government agencies also deliver programs and services for Indigenous people, with funding sourced in part from the Australian Government.

The audit concluded that FaHCSIA had established structured arrangements for coordination between Australian Government agencies and was actively involved in arrangements with state and territory government agencies. FaHCSIA had built good working relations with other agencies and FaHCSIA's lead agency status was well recognised within the Australian Government. However, overall, FaHCSIA had been quite measured in its approach and focused its formal role on sharing information and experience between agencies, and had not been strongly proactive in exercising its lead agency role. A more active approach by FaHCSIA is required to tangibly address some of the critical strategic issues in Indigenous affairs, such as: making agencies' mainstream programs more accessible and effective for Indigenous people; providing strategic oversight of new and existing expenditure; prioritising and sequencing programs across sectors; and better integrating program delivery on the ground.

The ANAO made three recommendations to strengthen FaHCSIA's lead agency role. The first recommendation was aimed at updating the lead agency role and bringing a more strategic, results orientation to the governance committees, building on recent steps being taken in this area. The second focused on facilitating improvements in integrated delivery of services and programs in remote and very remote areas. The final recommendation proposed ways to improve financial and performance reporting arrangements.

### 18 Administration of Communities for Children under the Family Support Program

The objective of the audit was to assess the effectiveness of FaHCSIA's administration of Communities for Children (CfC), an element of the broader Family Support Program (FSP). Within the FSP, CfC delivers early intervention and prevention services for children and families at risk of abuse and neglect, in locations that have been identified as disadvantaged. The Australian Government allocated a total of \$333.5 million to CfC for the three years commencing 2011–12. The audit focused on the period from July 2009.

The audit concluded that, since 2009, FaHCSIA had implemented a range of reforms to community related programs which were designed to reduce fragmentation and better align existing activities. Management of CfC had been incorporated into the management of the FSP, which facilitated alignment between CfC and the broader policy goals of child protection and provided a platform for consistent management of activities. FaHCSIA also implemented a range of initiatives to simplify CfC funding agreement management and reduce unnecessary requirements.

The restructuring of the FSP in 2011, however, involved the amalgamation of a number of grant programs as CfC Direct Services and CfC Indigenous Parenting Services, and the inclusion of these services with the original CfC Facilitating Partner Services. No concurrent review or national redistribution of the three CfC service types was conducted. This resulted in all three CfC service delivery types operating in some locations with little relationship to each other. The operation of all three CfC service delivery types in one location raises the risk of a surplus of service arrangements in particular areas and gaps in others, and is not fully consistent with the rationale of CfC—that service effectiveness is dependent not only on the nature and number of services but also on the coordination of services, and collaboration between service providers.

The ANAO recommended that FaHCSIA, as part of developing program arrangements for implementation from July 2014, integrate the planning and targeting processes for the three CfC service delivery types.

### 19 Administration of New Income Management in the Northern Territory

The objective of the audit was to assess the effectiveness of FaHCSIA's and the Department of Human Services' (DHS') administration of New Income Management in the Northern Territory. Income Management was one of the measures introduced under the Australian Government's Northern Territory Emergency Response (NTER) announced in 2007, and involves quarantining a portion of a person's welfare payments for priority needs such as food, clothing, housing and utilities. In 2010, following a review and redesign of some NTER measures, Income Management was extended from the 73 prescribed communities to all welfare recipients in the Northern Territory who met new eligibility criteria, and renamed 'New Income Management'.

The audit concluded that FaHCSIA and DHS effectively managed the transition from NTER Income Management to New Income Management. The service delivery approach adopted by DHS provides for the identification of eligible customers, the establishment of priority needs in consultation with the customer, and the payment of income-managed funds to third party organisations. Consistent with the objectives of Income Management, this approach supports the primary aim that a portion of income support and family assistance payments cannot be spent on excluded goods and services.

Due to the practical operation of Income Management, however, the departments were limited in their ability to determine if the notional allocations towards priority needs translated to actual spending on those goods and services. Additionally, the delivery approach required for New Income Management was resource-intensive, differed from the day-to-day processes used for the majority of services provided by DHS, and consequently was a relatively higher cost service.

With the implementation phase now completed there is an opportunity for DHS to address a number of administrative aspects, such as the compliance program and quality assurance framework, that would improve the overall operation of the scheme. It is also timely for the departments to determine whether specific features of New Income Management, such as exemptions and incentive payments, are working as intended.

The ANAO made two recommendations to improve the internal and external monitoring and reporting of New Income Management. The recommendations were aimed at assisting the departments and stakeholders to gain a better understanding of the service delivery performance and the success or otherwise of the scheme in meeting the stated policy objectives.

### 31 Implementation of the National Partnership Agreement on Homelessness

The objective of the audit was to examine the effectiveness of FaHCSIA's administration of the National Partnership Agreement on Homelessness (NPAH), including monitoring and reporting of progress against the objective and outcomes of the agreement. To facilitate a national approach to homelessness, COAG agreed in November 2008 to allocate funding of \$800 million over four years, 2009–10 to 2012–13, to the NPAH. An existing initiative, A Place to Call Home, was also incorporated into the NPAH, increasing the funding to \$1.1 billion.

Through the implementation of the NPAH, over 180 new or expanded homelessness initiatives had been funded to provide a range of different services. However, the Government's expected seven per cent reduction in homelessness by 30 June 2013 was not expected to be achieved. While the NPAH was one of the early national partnerships to be agreed, its implementation has highlighted a number of policy and implementation issues for further consideration by the Australian Government. The ANAO concluded that, in support of the negotiation of either an extension of the NPAH or alternative funding arrangements for homelessness, there would be benefit in FaHCSIA providing advice to the Australian Government which addresses the availability of timely data sources to support assessment of the agreement's outcomes; the design of the performance framework, including measures relating to reform of the homelessness service delivery system; and the strengthening of financial management and reporting requirements.

The ANAO made one recommendation aimed at strengthening the administrative arrangements for future funding arrangements for homelessness, involving the delivery of services by the state and territory governments.

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#### 41 The Award of Grants Under the Supported Accommodation Innovation Fund

The objective of the audit was to assess the awarding of funding under the Supported Accommodation Innovation Fund (SAIF) against the requirements of the Commonwealth's grants administration framework. During the 2010 federal election campaign, the Australian Labor Party (ALP) announced that it would give community organisations the opportunity to apply for direct capital funding for supported accommodation and respite facilities for people with disabilities. The audit followed concerns being raised about the distribution of funding in electoral terms.

The concerns expressed publicly about the outcome of the grants awarded under the SAIF related to the distribution of the approved funding appearing to be particularly favourable to the ALP and, to a lesser extent, the Australian Greens. This perception arose due to errors in FaHCSIA's website reporting on the locations in which funding was being provided. Although accommodation located in ALP-held electorates was awarded the majority of program funding, the situation was not as stark as was suggested by the department's website reporting.

The audit concluded that the distribution of program funding reflected the merit ranking list developed by FaHCSIA as a result of the department's assessment of applications received by the closing date and time. The then Parliamentary Secretary had approved each recommended project and had not approved funding for any other applications. However, in undertaking its assessment, FaHCSIA had applied a methodology that departed, in a number of important respects, from the approach that had been outlined in the published program guidelines.

A recurring theme in the ANAO's audits of grants administration over a number of years has been the importance of grant programs being implemented in a manner that accords with published program guidelines. Similarly, the grants administration framework was developed based, in part, on recognition that potential applicants and other stakeholders have a right to expect that program funding decisions will be made in a manner, and on a basis, consistent with the published program guidelines. Accordingly, the ANAO recommended that FaHCSIA develop and apply assessment methodologies that are consistent with the published program guidelines. A further two recommendations were made relating to improved eligibility checking processes and more accurate website reporting of grants that are awarded.

#### 48 Management of the Targeted Community Care (Mental Health) Program

The objective of the audit was to assess the effectiveness of FaHCSIA's administration and management of the Targeted Community Care (Mental Health) Program (TCC Program). The TCC Program comprises three service streams: Personal Helpers and Mentors; Family Mental Health Support Services; and Mental Health Respite: Carer Support. The program provides access to responsive community support services for people with severe mental illness, their families, carers and children at risk of developing mental illness, improving their capacity to participate socially and economically.

Overall, FaHCSIA's administration of the TCC Program has been generally effective. In determining site locations for the initial program, and for the subsequent expansion, the department has drawn on available statistical data to identify areas of high relative need and to target specific populations within communities in line with government priorities. The expansion of the program from 2011 was supported by the development of an appropriate implementation approach which included strategies for stakeholder communication and consultation along with details of site priorities, development of new service delivery models and funding levels for each service site. Timetables setting out the sequenced implementation of the expansion were developed and revised to reflect actual implementation experience, program resources and changing program priorities.

The ANAO made one recommendation for FaHCSIA to ensure that its approach to grant approvals more consistently supports the expectation in the *Commonwealth Grants Guidelines* for competitive merit-based selection processes.

#### Foreign Affairs and Trade

#### 39 AusAID's Management of Infrastructure Aid to Indonesia

The objective of the audit was to assess the effectiveness of AusAID's management of infrastructure aid to Indonesia, with a particular focus on the Eastern Indonesia National Road Improvement Project (EINRIP) and the Indonesia Infrastructure Initiative (IndII). The purpose of Australia's foreign aid program is to help people overcome poverty, which serves Australia's national interest by promoting stability and prosperity both in the near region and beyond. To this end, Australian aid to Indonesia was expected to reach an estimated \$542 million in 2012–13. Inadequate infrastructure is seen as a key impediment to poverty alleviation in Indonesia and support to improve infrastructure and infrastructure planning was expected to comprise around 25 per cent of Australian aid to Indonesia in 2012–13. The majority of infrastructure aid (over 85 per cent) was expected to be delivered through the \$336 million EINRIP and the \$463 million IndII.

The audit concluded that EINRIP and IndII were well aligned with, and supportive of, AusAID's strategic objectives for the bilateral country program and the aid program generally. However, AusAID's strategy for its overall engagement in the Indonesian infrastructure sector was not explicit, and the extent to which EINRIP and IndII were directed toward, and were meeting, shared sectoral objectives was not clear. AusAID's early management of EINRIP and IndII had not been effective in addressing key areas of risk, and both initiatives had experienced significant early difficulties which adversely affected project outcomes. However, AusAID had increased the focus on the arrangements necessary for the management of these initiatives, which recognised AusAID's accountability for overall outcomes but which were consistent with the shared responsibilities for project implementation. AusAID also had established good working relationships with Government of Indonesia counterparts and implementation partners and maintained a high degree of visibility over key project outcomes. Consequently, AusAID is better placed to achieve project outcomes (albeit significantly reduced in the case of EINRIP) and its current management of the initiatives is generally effective.

The ANAO made four recommendations directed towards improving the management of infrastructure aid to Indonesia.

#### Health and Ageing

#### 10 Managing Aged Care Complaints

The objective of the audit was to assess the Department of Health and Ageing's (DoHA's) implementation and ongoing management of the Aged Care Complaints Scheme and the effectiveness of DoHA's complaints management systems in supporting service delivery and regulatory outcomes. The *Aged Care Act 1997* specifies a number of objects that relate to the quality, type and level of care to be provided in aged care facilities, and provides for a complaints scheme.

DoHA had made good progress to July 2012 in the implementation and ongoing administration of the Scheme. Drawing on a program of consultation with industry stakeholders and a mostly well-managed project planning approach, DoHA changed the focus of complaints management away from a concentration on the investigation of non-compliance with accreditation standards to a focus on the resolution of complainants' concerns. This approach was proposed by the Walton Review, an external review of the then Aged Care Complaints Investigation Scheme, commissioned by the Australian Government and conducted in 2009. To address the review's concerns about a lack of natural justice, responsiveness and fairness, the department developed initiatives to improve national consistency in the administration of complaints processes. In particular, DoHA delivered an extensive nationally coordinated training program to complaints staff, and introduced new governance arrangements to improve national oversight and liaison between offices in different jurisdictions.

At the time of the audit fieldwork to July 2012, the Scheme was in the early stages of establishment, and there was scope for DoHA to improve aspects of its administration as processes and practices evolved. There will be significant challenges in fully implementing the scheme as planned by 30 June 2014, associated with conducting the systemic analysis of aged care complaints. The department had limited direct previous experience and was planning to rely on manual processes to overcome data integrity issues with the electronic complaints management system and the system's capacity to support analysis.

The report made two recommendations regarding the Aged Care Complaints Scheme. The first was that DoHA consider options to provide isolated care recipients with appropriate access to the Scheme. The second was that DoHA consider opportunities to increase survey responses.

#### 12 Administration of Commonwealth Responsibilities under the National Partnership Agreement on Preventive Health

The objective of the audit was to assess the effectiveness of DoHA and the Australian National Preventative Health Agency (ANPHA) in fulfilling the Commonwealth's role in implementing the COAG National Partnership Agreement on Preventive Health, to achieve the agreement's objectives, outcomes and outputs, including supporting all Australians to reduce their risk of chronic disease. To address the rising prevalence of lifestyle-related chronic diseases, the Australian Government committed \$932.7 million over nine years, commencing in 2009–10, to the National Partnership Agreement.

Overall, good progress had been made in implementing the Commonwealth's roles under the Agreement. Between them, DoHA and ANPHA had commenced all Australian Government initiatives under the Agreement, with some well underway. While a good start had been made in implementing the Australian Government initiatives specified in the Agreement to deliver the associated outputs, challenges remained in measuring performance against the outcomes and objectives specified in the Agreement. To provide a sound basis for measuring performance against the benchmark targets, against which reward payments will be assessed from June 2016, DoHA still had work to do with the states and territories to finalise: the baseline data for the benchmarks; the detailed methodology for collecting performance data; and the division of responsibilities between the Commonwealth and the states and territories for collecting the data.

The audit also assessed the effectiveness of ANPHA's administration in developing the second and third rounds of the Swap It, Don't Stop It advertising campaign and its adherence to the requirements of the Australian Government's campaign advertising framework. While ANPHA adhered to the certification, publishing and reporting requirements of the 2010 *Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies*, there was scope to more clearly correlate the factual information with the messages being delivered in the campaigns by including, in compliance statements, a list of statements appearing in creative materials that is clearly linked to the references backing the claims.

The ANAO made two recommendations relating to implementation of the agreement. The first was that DoHA give priority to progressing the means for measuring performance against the benchmarks in the Agreement. The second was that ANPHA more clearly demonstrate the factual basis for statements appearing in campaign advertisements.

#### 50 Administration of the GP Super Clinics Program

The objective of the audit was to assess the effectiveness of DoHA's administration of the GP Super Clinics program to support improved community access to integrated GP and primary health care services. The GP Super Clinics program was a health infrastructure grants program with funding of \$418.7 million for 65 GP Super Clinics across Australia. It was intended to improve access to integrated primary health care services and improve opportunities for education and training placements in a multidisciplinary setting.

Overall, DoHA's administration of the program was generally effective and consistent with government policy. In support of the incoming government, DoHA acted quickly, within relatively tight timeframes, to consult with stakeholders on program design, assess and plan for risks, and draft grant guidelines. These guidelines addressed the key elements of the program's operation and formed the basis for a generally sound grants application and assessment process, although there were a number of opportunities for DoHA to improve how it assessed value for money.

During the initial development of the program and the subsequent second funding round, DoHA advised the Minister on a range of implementation risks. However, the department did not advise on whether it was aware of any particular risks relevant to the specific locations announced in the context of the 2007 and 2010 elections or on potential risks in adopting a non-competitive grant funding process for some clinic locations. The ANAO also considered that there would be merit in enhancing the key performance indicators for the program, as part of revising the overarching performance reporting framework, to better reflect the extent of program achievement against intended outcomes.

The ANAO made four recommendations. One related to providing ministerial advice on implementation risks in the establishment phase of grant activities; one addressed better practice assessment of value for money for health infrastructure projects; and two proposed improvements to the framework for reporting on program performance.

#### **Human Services**

#### 40 Recovery of Centrelink Payment Debts by External Collection Agencies

The objective of the audit was to assess the effectiveness of DHS' arrangements for engaging and managing external collection agencies (ECAs) to recover debts arising from Centrelink payments. DHS is required under the social security law to recover all Centrelink payments to customers that have been made incorrectly. In 2011–12, DHS raised 1.8 million Centrelink payment debts, valued at \$1.8 billion, and the department recovered \$1.1 billion in outstanding debts. The ECAs' contribution to the total amount recovered was \$114.3 million (10.4 per cent).

The audit concluded that the department's administration of the current ECA contracts for the delivery of Centrelink debt recovery services was generally effective, and DHS had a constructive working relationship with the ECAs. There was, however, room for improvement in DHS' administration of two important activities under the current contracts: the administration of contract variations and the conduct of formal audits, or similar, of the operation of key contractual requirements. The general reporting and monitoring framework established by DHS for management of the ECA contracts was appropriate.

The ANAO made one recommendation aimed at verifying the ECAs' compliance with key contractual obligations that protect DHS customer information.

#### 42 Co-location of the Department of Human Services Shopfronts

The objective of the audit was to assess the effectiveness of DHS' administration of the shopfront co-location of DHS services. At March 2013, DHS advised that 344 shopfronts were offering co-located services. DHS has committed to co-locating all Centrelink and Medicare shopfronts by mid-2014. DHS is implementing two types of shopfront co-locations:

- co-location through consolidation involves merging two existing shopfronts that are in close proximity (one providing Medicare services and the other providing Centrelink services), to provide co-located services; and
- service extension co-locations involve providing additional services in an existing shopfront, for instance, placing Medicare services into an existing Centrelink shopfront or vice-versa.

The audit concluded that over the three years of the Co-location Program's operation, DHS had generally administered the program effectively, and had made good progress with co-locating shopfronts in the context of a rapidly changing service delivery environment driven by new technology, the goal of achieving administrative efficiencies, and changing customer preferences. The department changed aspects of the program to address implementation issues as they arose, including the practical challenges presented by the different ICT and management systems and the separate workforces in Medicare and Centrelink prior to their integration with DHS. To address implementation challenges, DHS varied the balance between consolidations and service extension co-locations. Further, within service extensions, the department moved from the addition of face-to-face services to the addition of self-services. This approach also reinforced a broader strategy of transitioning customers with less complex transactions and needs to self-service, contributing to efficiencies in service delivery.

The audit made two recommendations aimed at improving the effectiveness of co-location and the services offered to customers, including by monitoring whether staff in self-service extension co-locations are better able to assist customers to access DHS services online; and providing more information on the services provided in co-located shopfronts on the DHS website.

#### Immigration and Citizenship

#### 21 Individual Management Services Provided to People in Immigration Detention

The objective of the audit was to assess the effectiveness of the Department of Immigration and Citizenship's (DIAC's) management of individual management services provided to people in immigration detention. DIAC manages the contracts with service providers to operate the immigration detention facilities and to provide a range of services to people held in immigration detention.

The audit concluded that a range of systemic issues in DIAC's management of the services provided to detainees required attention to achieve better outcomes for individuals and for the management of the immigration detention network. Managing the changes to the immigration program, including policy changes and the rise in the number of irregular maritime arrivals, had been challenging for DIAC and the service providers. Nevertheless, the shortcomings in DIAC's management of the detention service providers' performance and services provided to people in immigration detention continued to exist three years into the contract period and, naturally, impacted on detainees. DIAC recently developed a new detention services governance framework and initiated several reviews and projects to improve its administration of immigration detention. It will be important for DIAC to closely monitor and review the outcomes of these initiatives and make adjustments as necessary, to enable a core level of services to be provided across the immigration detention network, while allowing sufficient flexibility to account for local and regional considerations in service delivery.

The ANAO made four recommendations aimed at improving the effectiveness of DIAC's contract management of services provided to people in immigration detention. These recommendations related to: reviewing the appropriateness and effectiveness of Individual Management Plans; promoting consistency in the interpretation and management of the detention contracts and providers' performance; strengthening the performance management framework provided under the contracts; and developing and implementing a communications strategy.

**APPENDIXES** 

#### No. Description

#### Industry, Innovation, Climate Change, Science, Research and Tertiary Education

#### 17 Design and Implementation of the Energy Efficiency Information Grants Program

The objective of the audit was to assess the effectiveness of the design and implementation of the Energy Efficiency Information Grants (EEIG) program. The EEIG program is a competitive merit-based grant program that funds industry associations and non-profit organisations to deliver practical and tailored energy efficiency information to help small and medium-sized enterprises and community organisations respond to the impact of increasing energy costs. It was one of a suite of measures announced by the Government in July 2011 to encourage energy efficiency.

The audit concluded that the then Department of Climate Change and Energy Efficiency (DCCEE) was well resourced to design and implement the EEIG, and the design of the program was effective. DCCEE also planned a sound approach to undertaking application eligibility checks, assessing the merit of eligible applications and ranking them for the Minister's consideration.

A recurring theme in the ANAO's audits of grants administration is the importance of agencies implementing programs in a manner which accords with published program guidelines and treats all applicants equitably. In this context, notwithstanding the good work undertaken by the department to establish the program, there were significant shortcomings in the conduct of the assessment process for applications. In particular, the merit assessment process departed in important respects from that outlined in the program guidelines, and inadequate records were made and retained to demonstrate that each application had been assessed in accordance with the published eligibility and merit criteria.

Recognising that a second EEIG funding round was underway, and that DCCEE was administering other competitive grant programs, the ANAO made four recommendations. Two were focused on improved recordkeeping concerning the eligibility-checking process and the merit assessment of eligible applications. Another related to enhancing the governance arrangements where an advisory committee or panel is involved in the assessment of grant applications. The ANAO also recommended that, for each future competitive applications-based grant program, DCCEE develop strategies to better manage the risk of funding rounds being over-subscribed.

#### 27 Administration of the Research Block Grants Program

The objective of the audit was to assess the effectiveness of the then Department of Industry, Innovation, Science, Research and Tertiary Education's (DIISRTE's) administration of the Research Block Grants schemes. The Australian Government provides funds to the higher education sector to support research and research training through a dual funding arrangement. This arrangement combines a performance-based system for annual block funding, known as Research Block Grants (RBGs), and peer-reviewed competitive grants. In 2012–13, the Government provided over \$1.7 billion to universities through the RBGs. This money was distributed through six schemes based on each university's relative performance against the Government's research and research training priorities.

The audit concluded that DIISRTE had in place many well established practices which supported the effective administration of the RBG schemes. The processes for calculating and allocating funds were generally effective and were underpinned by internal procedures and systems that were designed to provide for the correct and timely distribution of funds. DIISRTE's practices also contributed to the department's effective management of initiatives announced by the Government in the 2009–10 Budget as part of its reform of the higher education sector. DIISRTE undertook a number of reviews aimed at examining identified issues and improving components of the funding methodology. These reviews were important in addressing technical issues and provided confidence that funding was being allocated on a sound basis. However, there remained opportunities for DIISRTE to further improve key elements of the program—in particular, to improve the quality assurance of data inputs to the scheme formulas and the monitoring and reporting of scheme outcomes against their objectives.

The ANAO made two recommendations aimed at assisting the department to: consolidate data quality activities under a quality assurance strategy; and monitor and report on the performance of the RBG schemes.

#### 37 Administration of Grants from the Education Investment Fund

The objective of the audit was to assess the effectiveness of DIISRTE's administration of the Education Investment Fund (EIF) grants program. The EIF was established to provide funding to help meet the capital costs of developing or renewing major infrastructure in the higher education, vocational education and training and research sectors. By 31 December 2012, the Australian Government had allocated \$6.5 billion to the EIF and committed \$4.6 billion of these funds in the form of grants over eight funding components, including \$1.5 billion for 50 projects in the second and third funding rounds—the subject of this audit.

The audit concluded that the administration of the second and third EIF grant funding rounds by DIISRTE and its predecessor departments had been in the main satisfactory. Aspects of the departments' grants administration were managed well, such as program planning and design and management of the recipients' funding agreements. However, there were also some shortcomings relating to: the maintenance of records of the EIF Advisory Board's assessment of applications; the extent of advice provided to Ministers; and the provision of financial approvals. There was also scope to develop a longer term performance framework to monitor and report on achievement of the EIF's strategic outcomes.

The ANAO made two recommendations aimed at improving the recording (and retention) of details of the Advisory Board's assessment of applications, as well as improving the performance measurement and reporting arrangements for the EIF.

#### Regional Australia, Local Government, Arts and Sport

#### 3 The Design and Conduct of the First Application Round for the Regional Development Australia Fund

The objective of the audit was to assess the effectiveness of the Department of Regional Australia, Local Government, Arts and Sport's (Regional Australia's) management of the design and implementation of the first application round of the Regional Development Australia Fund (RDAF) program. The RDAF was established in early 2011 as a nationally competitive, merit-based grants program with discrete funding rounds. A total of some \$1 billion is expected to be made available under the RDAF over six years.

Overall, Regional Australia's management of the design and implementation of the first application round was effective. Of note was that eligibility and assessment criteria were published and applied and that the department provided all unsuccessful applicants with feedback. All applications assessed as eligible were examined by an independent advisory panel, which made a clear funding recommendation to the Minister. The ANAO made three recommendations focused on further improving key elements of the application assessment and approval processes.

The audit findings indicate that the grants administration framework in place in the department was soundly structured to achieve outcomes consistent with program objectives, as well as to promote decision-making processes that satisfied the requirements of the financial management legislation. The framework recognised that departments, advisory panels (where they are in place) and Ministers will at times have different perspectives on the relative merits of candidates for grant funding. For the first application round, the department's advice to the Minister suggested that he could consider approving more projects than those recommended by the advisory panel, but did not outline a structured process for this to occur in a way that was consistent with the published program guidelines. In light of the department's advice, 14 of the 35 projects approved by the Minister had not been recommended for approval by the panel. In such circumstances, there is an important role for departments to advise Ministers on the steps to be followed where the Minister reaches a different conclusion about the relative merits of grant proposals (in terms of the published assessment criteria) from that recommended to them.

The audit made three recommendations aimed at improving the RDAF's grant assessment process and improving the information provided to the Minister regarding the assessment of applications.

# PART 6

**APPENDIXES** 

#### No. Description

#### 23 The Australian Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Victoria

The objective of the audit was to assess the effectiveness of the Australian Government Reconstruction Inspectorate (the Inspectorate), supported by the National Disaster Recovery Taskforce, in providing assurance that value for money is being achieved in recovery and reconstruction expenditure in Victoria. The ANAO is undertaking three audits of key aspects of the National Partnership Agreements signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons.

In the context of widespread flooding in Queensland and Victoria and tropical cyclones in Queensland during 2010–11, on 27 January 2011 the Prime Minister announced that preliminary estimates indicated that the Australian Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions, to be funded under the existing Natural Disaster Relief and Recovery Arrangements (NDRRA). The majority of expenditure was expected to be on rebuilding essential infrastructure. On 7 February 2011, the Prime Minister announced new oversight and accountability measures to ensure that value for money would be obtained in the rebuilding of flood-affected regions. Features of the new governance arrangements included the establishment of an Inspectorate to provide assurance concerning value for money in reconstruction projects.

The conduct of value for money project reviews by the Inspectorate was expected to provide a greater level of oversight and assurance concerning reconstruction expenditure than would have occurred relying solely on the existing NDRRA, which provide for the Australian Government to meet up to 75 per cent of the cost of reconstruction. Reporting to the Commonwealth by the state indicated that recovery and reconstruction in flood-affected areas was well underway. However, to date, the Inspectorate has not provided the Australian Government with the expected assurance that value for money is being achieved through Victorian reconstruction projects. This is because, by December 2012, no value for money reviews had been completed in respect to any Victorian projects, and a review of one project had only recently commenced.

The ANAO made one recommendation relating to improved arrangements for conducting value for money reviews of Victorian reconstruction projects.

#### 24 The Preparation and Delivery of the Natural Disaster Recovery Work Plans for Queensland and Victoria

The objective of this audit was to assess the extent to which the disaster recovery work plans for Queensland and Victoria were prepared, and appropriate monitoring reports provided, in accordance with the relevant National Partnership Agreement (NPA). The ANAO is undertaking three audits of key aspects of the NPAs signed with Queensland and Victoria in relation to natural disasters over the 2010–11 Australian spring and summer seasons.

In the context of widespread flooding in Queensland and Victoria and tropical cyclones in Queensland during 2010–11, on 27 January 2011 the Prime Minister announced that preliminary estimates indicated that the Australian Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions, to be funded under the existing Natural Disaster Relief and Recovery Arrangements. The majority of expenditure was expected to be on rebuilding essential infrastructure. On 7 February 2011, the Prime Minister announced new oversight and accountability measures to ensure that value for money would be obtained in the rebuilding of flood-affected regions. Features of the new governance arrangements included that a recovery work plan be developed by each state, outlining a set of projects to assist with reconstruction and/or recovery. Each work plan was to be agreed between the relevant state and the Australian Government. The NPAs signed with each state also included reporting obligations in respect to these work plans.

A work plan was agreed with each state, but neither met the requirement to identify a set of specific reconstruction projects. Accordingly, neither work plan provided the additional oversight and accountability that had been envisaged. In terms of reporting against the work plans, the Natural Disaster Recovery Taskforce relied on the data it received from the states even where this data did not provide the information required by the NPAs. Notably, since the project level information contained in the work plans was limited, monthly reporting had not provided for adequate oversight of whether project milestones and outcomes were being met (a key matter that each NPA required to be addressed by the monthly reports). There was also limited evidence of the Taskforce analysing or inquiring about the information that had been reported by the states.

The ANAO made two recommendations. The first focused on updating the plans to identify the specific projects being undertaken by state and local government agencies in response to the natural disasters covered by each NPA. The second related to improving the data collection, analysis and reporting arrangements for the reconstruction progress.

#### **Resources, Energy and Tourism**

#### 1 Administration of the Renewable Energy Demonstration Program

The objective of the audit was to assess the effectiveness of the Department of Resources, Energy and Tourism's (RET's) administration of the Renewable Energy Demonstration Program (REDP), including progress towards achieving the program's objective. REDP was designed to provide competitive, merit-based funding for the construction of large-scale power plants to demonstrate the commercial viability of renewable energy technologies that had been proven at pilot plant scale but had not progressed to full commercial operation.

REDP was the first major program to be implemented by RET as a new department. This program was accelerated by the Government during the global financial crisis, which meant that grant applications, assessments and decisions had to be completed within a condensed timeframe, adding to the program's implementation risks. While recognising the challenging environment these circumstances created, the department did not manage key aspects of the program's implementation. In particular, there were weaknesses in program planning, probity arrangements and the documentation to support the assessment of applications against the program's merit criteria.

RET informed the ANAO that, despite these administrative issues, the processes employed by the department and the Renewable Energy Committee had been effective in determining the most appropriate projects to further the program's objectives. The Renewable Energy Committee and, subsequently, the interim Australian Centre for Renewable Energy board, supported by the department, completed their assessments and unanimously agreed to recommend to the Minister six projects for REDP funding. The Minister approved the six recommended projects, with a total value of \$329.4 million, and deeds of agreement were authorised and executed.

The ANAO made one recommendation to enhance existing guidance materials through greater coverage of the requirements relating to the documentation of merit assessment processes.

#### Sustainability, Environment, Water, Population and Communities

#### 11 Establishment, Implementation and Administration of the Quarantined Heritage Component of the Local Jobs Stream of the Jobs Fund

The objective of the audit was to assess the efficiency and effectiveness of the establishment, implementation and administration of the heritage component of the Local Jobs stream of the Jobs Fund, with a particular focus on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives. The Local Jobs stream was established to fund community infrastructure projects with a focus on the promotion of environment-friendly technology and heritage. For the heritage component, the employment objectives were to be achieved through the delivery of projects that also provided positive heritage outcomes.

Overall, while delivering positive heritage benefits, the responsible department's implementation of this component of the Local Jobs stream of the Jobs Fund had insufficient regard to the Government's policy objective of giving priority to employment outcomes and did not meet appropriate standards of governance for a grant program of this nature.

While the heritage component of the Jobs Fund was implemented in a timely manner that reflected the budgetary timeframe established for the program as part of the Government's package of stimulus measures, there were a number of significant shortcomings evident in the responsible department's implementation and administration of the program. This, in part, reflected that the relevant area of the department had limited experience in the design and implementation of grant selection processes, particularly of this magnitude. It also meant that the department was unable to demonstrate that each of the program guidelines and published selection criteria (including those relating to assessing projects' heritage outcomes).

Of particular note in this respect was that projects that had not been assessed as demonstrably meeting the Jobs Fund eligibility criteria were not excluded from funding consideration, and heritage considerations (rather than whether a project would provide the desired economic stimulus) became the predominant factor in determining whether a project would be recommended for approval. In addition, the program did not provide the desired level of stimulus in the planned timeframe, and there was no reliable data available on actual employment outcomes achieved through heritage component projects.

The ANAO made two recommendations concerning the Department of Sustainability, Environment, Water, Population and Communities': use of advisory panels and/or peak bodies to identify and/ or assess candidates for funding under future grant programs; and assessment of applications to future competitive, merit-based grant programs.

#### 32 Grants for the Construction of the Adelaide Desalination Plant

The objective of the audit was to assess the awarding of funding for the construction of the Adelaide Desalination Plant (ADP) against the requirements of the Commonwealth's grants administration framework, and to identify any potential improvements in grants administration practices. On 28 October 2007, in response to prolonged drought conditions, the Australian Labor Party announced that if elected to Government it would implement a \$1 billion National Urban Water and Desalination Plan (NUWDP) to help secure the water supplies of Australia's major cities. Subsequently, under the NUWDP, two grants totalling \$328 million were awarded for the construction of the ADP.

Two key obligations of the enhanced grants administration framework are that guidelines be developed for all new grant programs and that Ministers not approve a proposed grant without obtaining the benefits of agency advice on the merits of the proposal relative to the program guidelines. However, when considered against the program guidelines, neither of the ADP grants awarded under the NUWDP demonstrably satisfied the program merit criteria. Although the first grant (which related to the election commitment) was assessed against program criteria, the second grant was awarded through a truncated process that did not accord with the grants administration framework established by the Government, nor the NUWDP program guidelines.

The ANAO made one recommendation to the Department of Sustainability, Environment, Water, Population and Communities concerning its assessment of grant proposals directed at promoting the achievement of value for money by: applying a high standard of assessment and advice to all grant spending proposals, irrespective of whether they arise from a competitive process, relate to an election commitment or are another form of ad hoc grant; and providing Ministers with other options should they wish to pursue funding for proposals that are not consistent with grant program guidelines.

#### 36 Commonwealth Environmental Watering Activities

The objective of the audit was to assess the effectiveness of the Commonwealth Environmental Water Office's administration of environmental water holdings. The Commonwealth Environmental Water Holder (CEWH) was established by the *Water Act 2007* on 3 March 2008. The functions of the CEWH include managing Commonwealth environmental water holdings (that is, water entitlements) to make water available for the purpose of protecting and restoring areas of environmental significance within the Murray–Darling Basin (including water courses, wetlands and floodplains) so as to give effect to relevant international agreements. The CEWH, a Senior Executive Service officer in the Department of Sustainability, Environment, Water, Population and Communities, is supported by approximately 57 staff in two branches, which are known collectively as the Commonwealth Environmental Water Office (CEWO).

Overall, the CEWO had developed and was continuing to strengthen its arrangements to support the effective administration of the CEWH's environmental watering function. The CEWO's water use planning and decision-making approach was sound and appropriately underpinned by an assessment framework that was mostly applied as intended. The CEWO had established appropriate water delivery arrangements with delivery partners that resulted in the delivery of environmental water to its intended destinations, while managing water delivery risks and issues.

In the absence of a long-term monitoring and evaluation strategy, the CEWO had adopted a measured approach to short-term ecological monitoring and evaluation that was based on delivery partner monitoring activities and detailed studies at key locations where Commonwealth environmental water had been delivered. To measure the intermediate and longer term effects of the use of environmental water, the CEWO was developing a strategy to implement its monitoring, evaluation, reporting and improvement (MERI) process from July 2014. The adoption of the MERI process would better position the CEWO to establish meaningful key performance indicators and to demonstrate the environmental outcomes of watering activities and, ultimately, the extent to which water holdings have been used to protect and restore the Basin's environmental assets.

The ANAO did not make any recommendations. However, a number of suggestions were made in the report to enhance the CEWO's approach to administering the environmental watering function.

#### Treasury

#### 33 The Regulation of Tax Practitioners by the Tax Practitioners Board

The objective of the audit was to assess the effectiveness of the Tax Practitioners Board's (TPB's) implementation and administration of the regulatory arrangements for tax practitioners under the *Tax Agent Services Act 2009* (TAS Act). On 26 March 2009, recognising the importance of consumer confidence in tax practitioners, the Parliament passed the TAS Act to establish a new national regulatory regime for tax practitioners. The TAS Act established the TPB as the national independent statutory authority responsible for the general administration of the TAS Act.

The audit concluded that the TPB had established an appropriate governance framework, introduced an effective national registration system for tax practitioners, and was developing a regulatory assurance function to ensure compliance with the provisions of the TAS Act. Nevertheless, intense periods of registration activity had tested the TPB's processes and there had been considerable delays (of up to six months) in dealing with applications, prompting concerns from stakeholders. In response, the TPB streamlined registration processing and largely overcame the registration backlog. In a similar vein, the new regulatory assurance arrangements were taking time to implement, and the TPB was still refining its approach and processes for this function.

The ANAO made three recommendations aimed at improving the TPB's administrative arrangements and regulatory assurance function. The first was aimed at developing and reporting against key performance indicators and service standards. The second was aimed at aligning compliance risks and streamlining the TPB's compliance framework. The final recommendation was aimed at developing an intelligence gathering and analysis capability.

#### 34 Preparation of the Tax Expenditures Statement

The objective of this audit was to assess the extent to which the Department of the Treasury (Treasury) and the Australian Taxation Office (ATO) had improved the management of tax expenditure estimates by implementing the six recommendations in the ANAO Audit Report No.32 2007–08, *Preparation of the Tax Expenditures Statement*, and the three recommendations made by the JCPAA following its inquiry into that audit. Tax expenditures are, broadly, tax concessions that fall outside a tax norm or benchmark. They can include: exemptions (amounts excluded from the tax base); deferrals (delays in paying tax); deductions (which reduce total assessable income); or offsets (which directly reduce the amount of tax payable). They have an effect on the Budget position like that of direct expenditures. Reporting of tax expenditures is required under the *Charter of Budget Honesty Act 1998*. Treasury prepares an annual Tax Expenditures Statement (TES) which contains details of each of the tax expenditure items and, where possible, reports the estimated value or order of magnitude of the benefit to taxpayers over an eight-year period, as well as the reliability of the estimate.

The audit concluded that progress by Treasury and the ATO in implementing the recommendations had been slow. The 2008 audit and the JCPAA review encouraged improvements to the administration of tax expenditures through better integration of tax expenditures into the Budget process; systematic review to ensure that tax expenditure items continue to meet their intended objectives; and improved reporting in the annual TES. Only two of the nine recommendations had been fully implemented; the remaining recommendations were being partially addressed.

This lack of progress was consistent with past practice. The 2008 audit noted that there had been a number of government and parliamentary reviews of tax expenditures over the last 35 years, each identifying similar shortcomings and making similar recommendations, yet few of these recommendations had been adopted. These recommendations and those from the ANAO's 2008 performance audit report and the associated JCPAA review remain relevant, particularly to support confidence in the public reporting of tax expenditures. The ANAO made one further recommendation to improve the consistency of the published reliability ratings by standardising the methodology for allocating ratings.

#### 44 Management and Reporting of Goods and Services Tax and Fringe Benefits Tax Information

The objective of the audit was to assess the effectiveness of the ATO's management and reporting of selected information relating to the goods and services tax (GST) and the fringe benefits tax (FBT). The ATO collects approximately 91 per cent of revenue for the Australian Government, and produces reports that inform a range of strategic decisions across Commonwealth, state and territory government entities as well as private organisations. The IT systems and administrative processes used to capture, extract and report ATO data must be reliable and able to deliver accurate information that can be used confidently, both internally and externally.

The ATO's reporting of the sample of GST and FBT data examined by the ANAO was generally reliable, indicating that users can be confident that the information provided is accurate. Reporting of GST and FBT data was supported by the effective capture, processing and storage of taxpayer information by IT systems. However, arrangements to extract data and transform it into collated reports lacked consistency in processes and practices, formalisation and supporting documentation, and consequently did not support the production of standardised reports. While the ATO was aware of these shortcomings, and was taking steps to address them through the Enterprise Reporting Strategy, they presented risks to the integrity of the ATO's reporting processes.

The ANAO made three recommendations to strengthen the management and reporting of ATO information. The recommendations complemented the initiatives being implemented through the Enterprise Reporting Strategy, and were aimed at: maintaining up-to-date data in the data warehouse; documenting the development, testing, storage and quality control of data extraction queries; and measuring the achievements of the Enterprise Reporting Strategy against its long-term objectives.

#### 51 Management of the Australian Taxation Office's Property Portfolio

The objective of the audit was to assess the effectiveness of the ATO's management of its property portfolio. In 2011–12, the ATO's property-related expenditure was \$238 million, or seven per cent of the total operating budget of \$3.4 billion for that year. All premises occupied by the ATO are leased—the ATO does not own any property.

Commencing in 2009–10, the ATO had substantially revised its property management approaches, implementing a number of initiatives to strengthen the planning, operation and reporting of its extensive property portfolio, and to comply with the Commonwealth Property Management Framework. Together with better management and oversight of the property contractor, these initiatives have improved the ATO's overall management of its property portfolio. However, many of these initiatives have been only recently implemented, and the ATO still has to review and update its Property Management Plan (2010) and align property planning processes with its corporate plans. Finalising these initiatives will better support the ATO to effectively manage its property portfolio.

The ANAO made two recommendations. The first recommendation was directed to the ATO, aimed at improving its planning processes and their alignment with the corporate planning cycle. The second recommendation was directed to the Department of Finance and Deregulation, to provide more comprehensive guidance for agencies' AusTender reporting of complex procurement arrangements.

#### 52 Management of Debt Relief Arrangements

The objective of the audit was to assess the effectiveness of the ATO's administration of debt relief arrangements. In 2011–12 the ATO granted taxpayers \$4.6 billion in debt relief through different legislative and policy provisions that allowed the ATO to not pursue, or to write-off, taxation debts. Debt relief options include: the *waiver* of debt; full or partial *release* from tax liabilities where payment may cause serious hardship to taxpayers; and acceptance of a *compromised* amount of revenue against the full value of the debt where the ATO has assessed that the entire balance is unlikely to be paid. The ATO may also decide *not to pursue* a debt where it is uneconomical to do so or the debt is irrecoverable at law, including through automated bulk processes for lower value and aged debts that have been in the system for some time.

The ATO's management of debt relief arrangements was generally effective, given the volume of transactions and the extent of the need to have regard to taxpayers' personal circumstances. It also had effective arrangements for identifying, assessing and managing applications from taxpayers experiencing financial hardship, and recently improved its debt-reporting arrangements. There was scope, however, to assess the extent to which debt release decisions have supported taxpayers in gaining control of their financial circumstances, and to improve the assurance processes on the quality and consistency of changes to decisions to permit general interest charges.

The ANAO made two recommendations aimed at strengthening the quality and consistency of debt relief decisions. The first recommendation concerned the assessment of decisions to grant taxpayers release from their debt, and the extent to which it supported them in gaining control of their financial circumstances and meeting their tax obligations in the longer term. The second recommendation related to providing increased assurance of the quality and consistency of decisions to grant taxpayers remission of general interest charges.

#### Veterans' Affairs

#### 29 Administration of the Veterans' Children Education Schemes

The objective of the audit was to assess the effectiveness of the Department of Veterans' Affairs' (DVA's) administration of the Veterans' Children Education Scheme (VCES) and the Military Rehabilitation and Compensation Act Education and Training Scheme, which are similar education schemes established to support the young dependants of deceased or severely disabled veterans. The purpose of these compensatory Schemes is to provide financial assistance, student support services, and guidance and counselling to help eligible children achieve their full potential in education or career training. In 2011–12, expenses for the Schemes totalled \$19.2 million, including \$15.9 million in benefits, assisting over 3,500 students.

The audit concluded that DVA had implemented generally effective administrative arrangements for determining client eligibility, processing claims and making payments. The Schemes were supported by three experienced DVA VCES Secretaries with national responsibility for the Schemes' day-to-day administration, operating out of Brisbane, Adelaide and Hobart. There was scope for DVA to improve: awareness of the Schemes in the eligible population; alignment between the legislative instruments establishing the Schemes and their practical operation; processes for obtaining a Working With Children Check; responsiveness to changes in the wider social policy environment that impact on the Schemes' clients; and reporting and evaluation of the Schemes' services to clients and student outcomes.

The ANAO made two recommendations directed towards DVA improving the alignment between administrative practice and legislation, and performance reporting for the Schemes.

#### 46 Compensating F-111 Fuel Tank Workers

The objective of the audit was to assess the effectiveness of DVA's and Defence's administration of the Australian Government's \$55 million support package announced in the May 2010 Budget for former F-111 fuel tank maintenance workers and their families. The package was introduced to implement 14 recommendations of a parliamentary inquiry.

The audit concluded that DVA and Defence had made effective progress in implementing the support package. Eleven of the 14 recommendations, relating to enhanced access to support and compensation and a review of training for DVA staff, had been implemented. Two further recommendations—relating to the provision of senior oversight and expert advice within DVA of its assessment process for claims eligibility, and Defence's reporting to a parliamentary joint standing committee on the progress of litigation in F-111 common law cases—had been substantially implemented. However, there remained scope to strengthen the oversight of DVA's claims processing and aspects of decision-making relating to claims, a process which DVA and Defence had commenced.

A key threshold recommendation for Defence, relating to expanding the ADF's capability in occupational medicine and a review of its work health and safety practices, remained partially implemented and was likely to take some time and additional resources to fully implement.

To improve DVA's implementation of the support package, the ANAO made one recommendation aimed at DVA obtaining guidance from the Military Rehabilitation and Compensation Commission in order to obtain more precise definitions for two terms used by DVA when deciding applicants' eligibility for support under the package.

#### TABLE A2.2 CROSS-PORTFOLIO AUDIT REPORTS, 2012–13

#### No. Description

#### 4 Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2011 Compliance)

The objective of the audit was to assess the appropriateness of the use and reporting of confidentiality provisions in Australian Government contracts for 2011. The Senate Order for Departmental and Agency Contracts (the Order) was introduced in 2001 to improve public access to information about Australian Government contracting. The main principle on which the Order is based is that parliamentary and public access to government contract information should not be prevented, or otherwise restricted, through the use of confidentiality provisions, unless there is sound reason to do so.

The audit concluded that despite a decline in the proportion of contracts reported as containing confidentiality provisions since the Order was introduced, specific confidentiality provisions in contracts continued to be incorrectly used and reported. Incorrect reporting could often be attributed to agencies: misclassifying information as confidential (most commonly pricing information); and misinterpreting general confidentiality provisions as meeting the Confidentiality Test. The audit results demonstrated that there remained scope for agencies to: implement more rigorous quality assurance processes for reporting contract confidential information; and better tailor guidance materials to support procurement models.

The audit did not make any recommendations.

#### 35 Control of Credit Card Use

The objective of the audit was to assess whether Australian Government agencies were effectively controlling the use of credit cards for official purposes.

The audit concluded that the three audited agencies had generally satisfactory arrangements in place to control the use of credit cards for official purposes. Card issue and return was reasonably managed, with agencies issuing credit cards to staff with an identified business requirement and imposing financial limits on cards, and cardholders properly agreeing to and acknowledging their responsibilities before being issued with a card. Cards were no longer used by staff after having left the agencies, although there were some procedural deficiencies in the cancellation of cards and in maintaining a reliable register of cards. Controls on individual purchases were generally sound and operating reasonably effectively, with prompt acquittal and review in two of the three agencies. The incidence of misuse in the sample of credit card transactions examined by the ANAO was very low, and the audited agencies' controls were effective in identifying such misuse, with evidence of follow-up action where necessary.

The audit did not make any recommendations.

#### 45 Cross-Agency Coordination of Employment Programs

The objective of the audit was to assess the administrative effectiveness of the Department of Education, Employment and Workplace Relations (DEEWR) and the Department of Human Services (DHS) partnership arrangement in supporting the delivery of employment programs. DEEWR has overall responsibility for employment programs funded by the Australian Government and makes use of several different approaches to deliver services. Some employment services are delivered by Employment Services Providers under contract to DEEWR. However, income support and related services are delivered through a partnership between DEEWR and DHS, supported by a formal agreement—the Bilateral Management Arrangement (BMA).

The audit concluded that DEEWR's and DHS' administration of their respective roles under the partnership arrangement to support the delivery of employment programs was reasonably effective, with scope to further develop cross-agency collaboration. Under the BMA, appropriately structured governance arrangements had been put in place to oversee and support the partnership and the resulting delivery of employment programs. DEEWR and DHS had a range of protocols and tools to guide governance and operational arrangements between the departments, although, in practice, they were applied to varying degrees. To give effect to a more collaborative approach, DEEWR and DHS needed to consistently apply the agreed outcomes and work practices under the BMA. This would assist the resolution of key issues for employment program delivery in a timely manner. The audit highlighted the tensions and challenges for DEEWR and DHS in managing the cross-agency delivery of employment programs when both departments also had clearly articulated charter responsibilities.

The ANAO made three recommendations directed towards DEEWR and DHS: escalating and resolving operational issues in a timely manner; pursuing more consistent and coordinated work practices; and jointly managing risks to the delivery of payments and services under the BMA, as envisaged in the BMA's operational arrangements.

#### 53 Agencies' Implementation of Performance Audit Recommendations

The objective of the audit was to assess the effectiveness of four agencies' arrangements for monitoring and implementing ANAO performance audit recommendations. The agencies included in the audit were DEEWR, the Department of Families, Housing, Community Services and Indigenous Affairs, the Department of Finance and Deregulation and the Department of Infrastructure and Transport.

Overall, the four agencies included in the audit had developed systems to capture ANAO recommendations and to monitor and report on implementation where these recommendations were made in audits directly involving the agency. ANAO recommendations were clearly identified by the agencies' internal audit functions and brought to the attention of audit committees on a regular basis. Reports to audit committees included information on the recommendation, the current status of implementation and the expected timeframe for completion, although in some cases the status of ANAO recommendations had been inaccurately recorded in agency monitoring systems. Other than DEEWR, none of the agencies included in this audit had developed structured implementation approaches in relation to ANAO recommendations. A more structured approach would support agencies to manage timeliness, completeness and adequacy of implementation, and allow progress to be monitored and assessed. This would also provide support for requests to senior management for sign-off on final implementation and closure.

The ANAO made two recommendations to support improved oversight and implementation of recommendations. The first recommendation related to the inclusion of all relevant ANAO recommendations in agencies' internal monitoring systems. The second recommendation was designed to assist agencies to introduce a more systematic approach to the management of the implementation of ANAO recommendations.

#### 54 Administration of Government Advertising Arrangements: August 2011 to March 2013

The objectives of the audit were to assess the effectiveness of:

- selected agencies' administration in developing advertising campaigns and implementing key
  processes against the requirements of the Australian Government's campaign advertising
  framework, and other key legal and administrative requirements; and
- the ongoing administration of the campaign advertising framework.

The 2010 Guidelines on Information and Advertising Campaigns by Australian Government Departments and Agencies (the Guidelines) combined with certain advertising-specific procurement arrangements and the Australian Government's financial management requirements, make up the campaign advertising framework applying to departments and agencies subject to the *Financial Management and Accountability Act 1997*.

The audit observed a range of compliance issues which agencies should continue to have close regard to in applying the campaign advertising framework. A feature of the campaigns examined was a tendency to push the boundaries of the Guidelines in some areas, with insufficient weight being given to the underlying principles governing the use of public funds for government advertising campaigns.

While recognising that the primary purpose of the Household Assistance Package (HAP) campaign was to raise awareness of the financial assistance available under the HAP, the Department of Families, Housing, Community Services and Indigenous Affairs' decision to not directly refer to the introduction of carbon pricing meant that the major advertisements did not fully inform the public about the particular reason for the assistance-to assist with the cost impacts resulting from a carbon price. In the case of the two National Broadband Network (NBN) campaigns, a new situation arose in which a department of state (the Department of Broadband, Communications and the Digital Economy) undertook advertising which was closely related to communications undertaken by the responsible government business enterprise (NBN Co), raising questions about the overall efficiency of publicly funded advertising on the NBN and the value for money of such an approach. Further, in the context of an active and public debate between the Australian Government and the Victorian Government, one of the four statements in the Department of Health and Ageing's Commonwealth funding of Victorian hospitals advertisement was not presented in an objective manner. There are also likely to be a range of views about the campaign's compliance with the requirement that government advertisements not directly attack or scorn the policies or actions of 'others'—in this case, aspects of the Victorian Government's approach.

The ANAO made two recommendations directed towards the Department of Finance and Deregulation in relation to clarifying the application of an aspect of the Guidelines; and further strengthening the transparency of reporting on government advertising expenditure.

#### 16 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2012

This report provided a summary of the final audit results of the audits of the financial statements of all Australian Government entities, including the Consolidated Financial Statements for the Australian Government. For the 2011–12 financial year, the Auditor-General and senior staff delegated to issue audit opinions issued 261 unmodified auditors' reports. Twenty-one of those reports contained a report on other legal and regulatory requirements relating to a risk of breaches of section 83 of the Constitution (payments are not made in accordance with conditions required by law), or the need to undertake risk assessments, in relation to payments from special appropriations and special accounts. In addition, six of the reports contained an emphasis of matter that drew the user's attention to a matter disclosed in the notes to the financial statements of the entity concerned.

The total number of significant and moderate audit findings in entities decreased from 36 in 2010–11 to 31 in 2011–12. This result was consistent with the trend in relation to the results of ANAO audits in recent years. Issues common to a number of entities identified in ANAO final audits were in respect of: controls in entities' IT environments, such as user access and the segregation of duties; asset management, including the valuation of assets and the reporting of inventory; business system processing controls; and estimation processes.

The report noted a high level of compliance in relation to requirements for accounting for annual appropriations, special appropriations, annotated appropriations, special accounts and the investment of public moneys, except in relation to the risk of breaches of section 83 of the Constitution mentioned above.

The report also noted that, consistent with previous years, the large majority of entities' financial statements were completed within three months of the end of the financial year. This reflected positively on the priority entities gave to meeting their financial reporting responsibilities and on the financial stewardship of the public sector generally.

#### 49 Interim Phase of the Audits of the Financial Statements of Major General Government Sector Agencies for the year ending 30 June 2013

The *Auditor-General Act 1997* establishes the mandate for the Auditor-General to undertake financial statement audits of all Australian Government entities, including those of government agencies, statutory authorities and wholly-owned and controlled Commonwealth companies. This report outlined the results of the interim audit phase of the 2012–13 financial statement audits of all portfolio departments and other major General Government Sector agencies that collectively represent some 95 per cent of total General Government Sector revenues and expenses.

In reporting on the results of the interim phase of the ANAO's financial statement audits, the ANAO is providing assurance to the Parliament that the systems, controls and processes that are in place in major Australian Government agencies are operating in a way that allows agencies to prepare financial statements that give a true and fair view of their financial position and their operations and cash flows.

The results of the 2012–13 interim audits reflected a continuation of the reduction over recent years in the number of significant (Category A) and moderate (Category B) audit findings. This reflected the general stability and maturity of the control regimes in the majority of agencies and actions taken by agencies to address prior-year audit findings. The audits continued to identify a relatively small number of control weaknesses in a number of areas particularly relating to: IT general and application controls, particularly the management of user access to financial business systems; and accounting for non-financial assets, including the capitalisation and disposal of assets.

In completing the audits of agencies' 2012–13 financial statements, the ANAO will complete its assessment of the effectiveness of internal controls and areas of audit focus in each agency. The summary results of this work will be included in a report to the Parliament in December 2013.

#### 28 The Australian Government Performance Measurement and Reporting Framework—Pilot Project to Audit Key Performance Indicators

The ANAO has undertaken a pilot project to assess the status of the Australian Government performance measurement and reporting framework as a basis for implementation of a future program of audits of entities' key performance indicators (KPIs), and to develop a suitable audit methodology. This report presents a summary of the work completed to date.

The results of the pilot, conducted in the light of the amendments to the *Auditor-General Act 1997*, reinforced the issues identified in ANAO Audit Report No.5 2011–12, *Development and Implementation of Key Performance Indicators to Support the Outcomes and Programs Framework*, and other ANAO performance audits. The assessment of entity performance measurement and reporting identified that entities continue to experience challenges in developing and implementing meaningful KPIs, and that the administrative framework supporting the development and auditing of KPIs remains problematic. This is similar to the experience of some other jurisdictions where a robust system of KPI reporting and auditing has taken some years to develop.

The promulgation of updated, comprehensive guidance will be central to supporting the development and implementation of appropriate KPIs by public sector entities. It is also clear from the pilot that the current framework and accompanying guidance does not provide an effective framework against which entities' KPIs can be reliably evaluated through an assurance audit process, as they do not specify clear standards or criteria that KPIs should satisfy. Implementation of a systematic assurance audit of the appropriateness of entities' KPIs and the completeness and accuracy of their reporting is a process that will take time, as entities continue to develop and refine their KPIs.

# APPENDIX 3—ADDRESSES BY THE AUDITOR-GENERAL AND DEPUTY AUDITOR-GENERAL IN 2012–13

#### TABLE A3.1 ADDRESSES BY THE AUDITOR-GENERAL AND DEPUTY AUDITOR-GENERAL, 2012–13

Name	Title of address	Forum	Place/date
McPhee, Ian (Auditor-General)	Leveraging Better Public Sector Management	CPA Australia Congress 2012	Canberra 12 November 2012
	Leveraging Better Public Sector Management	CPA Australia International Public Sector Convention	Brisbane 22 February 2013
	Leveraging Better Public Sector Management	Institute of Public Administration Australia, ACT Division	Canberra 26 March 2013
	Cyber Security	Global Working Group of Auditors-General	Tokyo, Japan 11 April 2013
	Presentation to the Department of Finance and Deregulation's Learning Centre	Department of Finance and Deregulation	Canberra 17 June 2013
Chapman, Steve (Deputy Auditor-General)	Performance Audit	Chartered Secretaries Australia	Canberra 31 August 2012
	Robust Government ICT	FutureGov Summit Australia	Canberra 18 September 2012
	Update on Contemporary Issues	Pacific Association of Supreme Audit Institutions Congress	Noumea, New Caledonia 1 October 2012
	Interactions with INTOSAI Committees	Pacific Association of Supreme Audit Institutions Congress	Noumea, New Caledonia 2 October 2012
	Public Sector Auditing	Association of Southeast Asian Nations Federation of Accountants Council Meeting	Sydney 2 November 2012
	Engaging with the Public	Australasian Council of Public Accounts Committees Twelfth Biennial Conference	Sydney 11 April 2013

**APPENDIXES** 

# APPENDIX 4—CONTACT DIRECTORY

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# REFERENCES PART 7

# ABBREVIATIONS LIST

AASB	Australian Accounting Standards Board
AGO	Papua New Guinea Auditor-General's Office
ANAO	Australian National Audit Office
APS	Australian Public Service
ASOSAI	Asian Organization of Supreme Audit Institutions
AusAID	Australian Agency for International Development
AUASB	Australian Auditing and Assurance Standards Board
BAKN	Indonesian Parliament's Audit Committee
BPK	Indonesian Board of Audit
CAC Act	Commonwealth Authorities and Companies Act 1997
CPD	continuous professional development
Defence	Department of Defence
EEGO	Energy Efficiency in Government Operations
ESD	ecologically sustainable development
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FMA Act	Financial Management and Accountability Act 1997
GPF	Australia Indonesia Government Partnerships Fund
GST	goods and services tax
HR	human resource
HSMAs	Health and Safety Management Arrangements
IAASB	International Auditing and Assurance Standards Board
ICT	information and communications technology
INTOSAI	International Organization of Supreme Audit Institutions
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
KPIs	key performance indicators
NABERS	National Australian Built Environment Rating System
NPAH	National Partnership Agreement on Homelessness
PASAI	National Fathership Agreement of Homelessness
	Pacific Association of Supreme Audit Institutions
PSPF	
PSPF QA	Pacific Association of Supreme Audit Institutions
	Pacific Association of Supreme Audit Institutions Protective Security Policy Framework
QA	Pacific Association of Supreme Audit Institutions Protective Security Policy Framework quality assurance

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