

Australian National Audit Office

ANNUAL REPORT 2020–21

ISSN 2203-9236 (print)
ISSN 2203-9244 (online)

© Commonwealth of Australia 2021



Except for any content in this document supplied by third parties, the Australian National Audit Office logo, the Commonwealth Coat of Arms, and any material protected by a trademark, this document is licensed by the Australian National Audit Office for use under the terms of the Creative Commons Attribution 4.0 International (CC BY 4.0) licence. To view a copy of this licence, visit creativecommons.org/licenses/by/4.0.

The report should be attributed as the *Australian National Audit Office Annual Report 2020–21*.

Permission to use material for which the copyright is owned by a third party must be sought from the relevant copyright owner. As far as practicable, such material will be clearly labelled.

For terms of use of the Commonwealth Coat of Arms, visit the Department of the Prime Minister and Cabinet website at pmc.gov.au/government/commonwealth-coat-arms.



20 August 2021

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

Dear Mr President
Dear Mr Speaker

In accordance with section 28 of the *Auditor-General Act 1997* and section 46 of the *Public Governance, Performance and Accountability Act 2013*, I present to the Parliament my report on the activities of the Australian National Audit Office (ANAO) for the year ended 30 June 2021.

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

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

Following the tabling of the Australian National Audit Office Annual Report 2020–21, the report will be available on the ANAO's website, anao.gov.au.

Yours sincerely

Grant Hehir
Auditor-General

About this report

This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ended 30 June 2021.

The report addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013*; the Public Governance, Performance and Accountability Rule 2014; the *Auditor-General Act 1997*; the performance measures set out in the outcome and programs framework in the ANAO's Portfolio Budget Statements 2020–21 and the ANAO Corporate Plan 2020–21; and annual reporting requirements set out in other relevant legislation.

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

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

Part 3 outlines our performance framework and provides the ANAO's report on performance for 2020–21, consisting of our annual performance statements and the report on financial performance.

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

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

A list of abbreviations and acronyms, a list of annual report requirements and an index are provided at the end of the report.

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

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

For more information about this report, please contact:

Senior Executive Director
Corporate Management Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Phone: (02) 6203 7300
Email: communication@anao.gov.au

Contents

Letter of transmittal	iii
About this report.....	iv
Part 1 — Foreword by the Auditor-General	1
Part 2 — Overview of the ANAO	5
About the ANAO.....	5
Relationships.....	8
Part 3 — Report on performance	14
Annual performance statements	16
Report on financial performance.....	46
Financial statements	50
Part 4 — Governance, capability and risk management.....	82
Governance.....	82
Strategic planning framework.....	87
Organisational capability	88
Risk management	97
External scrutiny.....	100
Other management issues	101
Appendixes	102
Appendix A — Transparency reporting.....	103
Appendix B — Entity resource statement and expenses by outcome.....	105
Appendix C — Workforce information.....	107
Appendix D — Staff engagement and performance strategies	111
Appendix E — Other management issues.....	114
Abbreviations and acronyms.....	121
List of requirements.....	123
Index.....	129

Part 1 — Foreword by the Auditor-General

As Auditor-General for Australia I am pleased to present this annual report to the Parliament. This year has seen the Australian National Audit Office (ANAO) continue to deliver against its mandate under the *Auditor-General Act 1997*, through the delivery of high quality audit reports.

A year in review

On 7 October 2020, I published a mid-term report in which I reflected on my first five years as Auditor-General. The report presents a description and analysis of the role and impact of audit, as well as analysis of the financial audit and performance audit work of the ANAO. The report concludes with coverage of ANAO continuous improvement activities across audit quality, better communication, transparency, efficiency and workforce capability.

Within the report, I observed a number of key themes in relation to the operations of the public sector, many of which have continued through the 2020–21 reporting period. I am pleased to note the high quality financial reporting by entities — especially as good financial reporting is one of the key components of quality financial management. As I observed in my mid-term report, the number of audit findings in financial statements has declined over the past five years, indicating ongoing improvement within financial reporting and generally sound financial management within the sector. It was also pleasing to see that no extensions were requested by entities in relation to the presentation of financial statements due to the impact of the COVID-19 pandemic.

While the ANAO's audits point to many areas of high quality and effectiveness within the public sector, there continues to be evidence — from both performance and financial audits — that the public sector's approach to some core activities regularly falls short of expectations. Regulation is an important function of the sector and high quality regulation is crucial for the proper functioning of society and the economy. Many Australian Government entities hold responsibilities for the implementation of regulatory functions. Our audit work continues to find evidence that the risk management approaches of regulatory frameworks are not implemented in a way to deliver the expected level of compliance with mandatory requirements.

Likewise, within the public sector itself, the lack of effective regulation of public sector activities can often be at the expense of effective outcomes. This continues to be the case in the sector's implementation of cyber security where little assurance is given to the government or the Parliament of adherence to mandatory requirements, other than through external audit. Audits of procurement — a core public sector activity — also evidence that the sector's approach regularly falls short of expectations. Developing capability in core activities should be a priority for public sector leaders. Our audit work will continue to focus on the sector's core activities including the relationship between compliance and organisational culture. I expect this to also include an increase in our focus on the ethical dimension in the proper use or management of public resources under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

In recent years, the ANAO has reduced the forecast number of performance audits to be delivered to the Parliament. The reduction in performance audits was necessary in order to deliver, within our available funding, mandated financial statements audits. A reduction was also necessary to create space for the conduct of a pilot of performance statements auditing, initiated by a request from the Minister for Finance in November 2019. In 2020–21, the ANAO was only able to meet its target of tabling 42 performance audits by careful management of audit scope, reducing audit team size and increasing the average hours spent by staff on direct audit related activities. These approaches are not sustainable from an audit quality and staff retention and well-being perspective.

As part of the 2021–22 Budget, the government announced additional funding for the ANAO. This funding is to support delivery of the ANAO's mandatory financial statements audit program; re-build resources to enable the ANAO to target 48 performance audits by 2024–25 (the flow on effect from the reduction in performance audit capability will continue into 2021–22, with a target of 40 performance audits planned); and meet ongoing quality, data analysis, evidence extraction and data storage requirements. The funding also supports the staged implementation of a program of performance statements audits, from three audits in 2021–22 increasing to 14 audits by 2024–25. Significantly, this funding builds into the core business of the sector assurance to the Parliament of non-financial reporting information, closing this assurance gap.

The funding will enable the ANAO to operate on a more sustainable basis, to meet mandated financial statements audits, an appropriate program of performance audits and the staged roll-out of performance statements audits. The challenge of recruiting and training the staff to deliver these products will present a significant challenge to the ANAO over the next several years — where quality audits depend on highly trained, technical and specialist expertise.

Report on performance

The ANAO's performance during 2020–21 is reported on in detail in Part 3: Report on Performance.

The ANAO Corporate Plan 2020–21 outlined our key performance measures which, taken together, set out our achievement against our purpose. Each year, the corporate plan is complemented by an annual audit work program (AAWP) which is designed to include balanced coverage of portfolios and activities across the public sector. In 2020–21, the ANAO recognised that COVID-19 continued to have a significant impact on the public sector as entities implemented the government's response agenda. The COVID-19 pandemic has brought notable changes to how the public sector operates, both in terms of service delivery and working arrangements. Despite the fluidity of the pandemic environment, entities across the sector have engaged positively with us to support the timely delivery and high quality of both financial statements and performance audit work.

The ANAO's performance audit program continues to undertake audits to promote accountability, transparency and improvement to public administration. In 2020–21, the ANAO presented 42 performance audits for tabling in the Parliament. The primary focus of ANAO performance audits was effectiveness and economy — the extent to which entities delivered on intended objectives and the value for money achieved in doing so. The year also saw continued emphasis on risk management and governance within entities, service delivery, regulation, grants and procurement. In the delivery of performance audits, we achieved the intended coverage outlined in the AAWP.

The COVID-19 pandemic, and the Australian Government's response to it, has significantly impacted the risk environment faced by the Australian public sector. Noting this change in the risk environment, the ANAO developed a multi-year strategy [ANAO COVID-19 audit strategy](#) for performance audits that focuses on the Australian Government's response to the COVID-19 pandemic. This strategy is consistent with the approach of other public sector auditors internationally. Phase one of the COVID-19 audit strategy was completed in 2020–21.

The findings from phase one of the strategy were largely positive. The ANAO published an audit insight, [Emergency Management — Insights from the Australian Government's COVID-19 Response](#), summarising key messages from the audits for all Australian Government entities. The insight discussed the importance of planning, good governance and sound risk management in managing an emergency such as the COVID-19 pandemic.

Effective record keeping is essential to robust knowledge management practices and to support transparency and accountability for past decisions and help inform future decision making. In 2020–21, there were a number of instances across the performance audit program where entities did not have

effective record keeping practices. A lack of proper documentation of decision-making processes makes it difficult for not only the Parliament, but entities themselves, to be assured that the activity was undertaken with complete integrity and in compliance with the law — with all necessary information at hand, and without improper influence or consideration of inappropriate factors.

Audits, in meeting audit standards, rely on evidence to support findings and conclusions. Through the audit process, Parliament can be assured that the reports presented are grounded in evidence. The information-gathering powers of the Auditor-General as outlined in the *Auditor-General Act 1997* are designed to support the Parliament and to drive transparency. Information is normally accessed through cooperation with entities, with 2020–21 seeing an increase in the ability of the ANAO to remotely access entity records. Such co-operative approaches can improve the efficiency of the audit process.

In 2020–21, the ANAO continued the pilot assurance audits of annual performance statements which, the Minister for Finance requested in 2019 that the ANAO conduct, in consultation with the JCPAA. The pilot audit of the 2019–20 performance statements was conducted in three entities, the Departments of Social Services, Veterans' Affairs and Attorney-General's Department throughout 2020. The ANAO withdrew from the engagement with Social Services by agreement during the course of the audit. Audit opinions on the other two entities and a report on the outcomes of the pilot was provided to the Minister for Finance and JCPAA. The Minister for Finance tabled the two audit opinions in the Parliament on 3 February 2021. A phased roll-out of performance statements auditing will be challenging for the public sector. The disciplines applied to ensure informative and accurate financial reporting, developed over many decades, are largely absent from performance reporting. Our audit work in performance reporting has identified that there is still significant improvement required, performance statement auditing will contribute to this improvement.

In 2020–21, a total of 142 findings were reported to entities as a result of the 2019–20 financial statements audits. These comprised two significant, 22 moderate and 118 minor findings. One significant legislative breach was also reported during 2019–20. This is a reduction in the number of findings compared to 2019–20 — a trend of improvement that I hope continues across the sector. The highest number of findings continue to be in the categories of compliance and quality assurance frameworks supporting program payments and financial reporting and management of IT security and user access, in particular the management of privileged users.

As part of the ANAO audit approach key areas of risk are identified that impact financial statements. Emerging issues and risk focus areas have included increasing complexities around valuations, in particular due to uncertainties from current economic conditions; the significant value and speed of implementation of COVID-19 stimulus measures; and reliance on a complex information technology system. I expect that entities and their audit committees will continue to turn their minds to risks in financial management and ensure that the accounting treatment and disclosures are appropriate for the Parliament to understand these risks and uncertainties. The ANAO will report significant findings arising from financial statements audits to the responsible Ministers and continue to report all findings to those charged with the governance of each entity.

During 2020–21, the JCPAA conducted five inquiries based on its review of a total of 17 Auditor-General reports throughout the year, resulting in the tabling of three reports. The ANAO provided a total of six briefings, attended 10 public hearings and made one submission to assist the Committee in undertaking its functions. In addition to the support provided to the JCPAA, the ANAO further supported the work of the Parliament by providing submissions, information, assistance and briefings to parliamentarians and parliamentary committees. In 2020–21, the ANAO provided 25 briefings to parliamentarians and, in support of other parliamentary committee inquiries, attended 12 public hearings, provided four briefings and 12 submissions.

On 2 September 2020 the Joint Committee of Public Accounts and Audit (JCPAA) resolved to undertake a review of the *Auditor-General Act 1997* (the Act). The last major review of the Act

concluded in 2010 when the JCPAA released *Report 419: Inquiry into the Auditor-General Act 1997*. The ANAO supported the 2020 review of the Act by attending four public hearings, making one submission and seven supplementary submissions in response to questions from the Committee. Our submission notes that, on balance, the Act works well and in more than 20 years of operation it has allowed Auditors-General and the ANAO to support accountability and transparency in the Australian Government sector and contribute to improved public sector performance. The ANAO's submission to the JCPAA is based on strengthening the independence of the Auditor-General and the ANAO, including the creation of the ANAO as a parliamentary department.

The year ahead

Auditing is important as a discipline that provides evidence-based assurance to the Parliament, especially in the fast-paced, rapid-implementation, information-driven environment of the public service. In looking forward, the ANAO will continue to pursue those opportunities that will allow us to deliver on our purpose, with a particular focus on the introduction of performance statements auditing.

The staged implementation of performance statements auditing marks a major milestone for the public sector, in ensuring system-level assurance and transparency of its operation. Full implementation of mandatory auditing of entity performance statements would give the Parliament the same level of assurance over non-financial performance information that it currently receives for financial performance information. While I expect that there will initially be audit opinion qualifications in this area, I also anticipate this work will result in improvements in the quality of performance information provided to the Parliament.

The PGPA Act requires accountable authorities of Commonwealth entities to govern their entities in a way that promotes the proper use and management of public resources. The Act defines proper use as 'efficient, effective, economical and ethical'. The importance of ethics in the use of resources has been highlighted in several audits, particularly relating to procurement and grants administration. I believe that greater scrutiny in this area will help ensure that the public sector continues to look beyond technical compliance and focuses on operating in line with community expectations of integrity and honesty. The ANAO is looking to design and implement an appropriate audit framework against which to test ethics.

The year ahead will be challenge for our organisation as we look to commence the rebuild of our performance audit capability. As part of the ANAO's 2021–22 Corporate Plan, we committed to implementing a strategic organisational plan, Towards 2025. The plan captures the key investments we intend to make in our workforce — in our people, productivity and technology — to continue to effectively deliver quality audit services to the Parliament. Uplifting our enabling functions will be a critical focus of the plan, to ensure we maintain sufficient operational capability to build, grow and support our organisation. As always, quality will remain at the centre of our work.

Finally, the pandemic environment has placed limitations on our ability to engage with our national and international audit peers — including Australasian Council of Auditors-General, international supreme audit institutions and our bilateral partners, Indonesia and Papua New Guinea. I am hopeful that 2021–22 will bring further opportunities for the ANAO to connect and share learnings, in what is a challenging period of public sector and government administration.



Grant Hehir
Auditor-General

Part 2 — Overview of the ANAO

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

About the ANAO

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

Purpose

The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance.

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

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

Role

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

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

In exercising the functions or powers under the Act, the Auditor-General must have regard to the audit priorities of the Parliament, as determined by the JCPAA, and any reports made by the committee under the *Public Accounts and Audit Committee Act 1951*.

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

- auditing the annual financial statements of Commonwealth entities, and Commonwealth companies and their subsidiaries (section 11 of the Act);
- auditing the annual consolidated financial statements in accordance with the PGPA Act (section 12 of the Act);
- auditing annual performance statements of Commonwealth entities in accordance with the PGPA Act (section 15 of the Act);

- conducting performance audits and assurance reviews of Commonwealth entities and Commonwealth companies and their subsidiaries (section 17 and 18 of the Act);
- conducting a performance audit of a Commonwealth partner (section 18B of the Act);
- providing other audit services as required by other legislation or allowed under section 20 of the Act; and
- reporting directly to the Parliament on any matter or to a minister on any important matter.

The ANAO supports the Auditor-General in this role.

Values

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

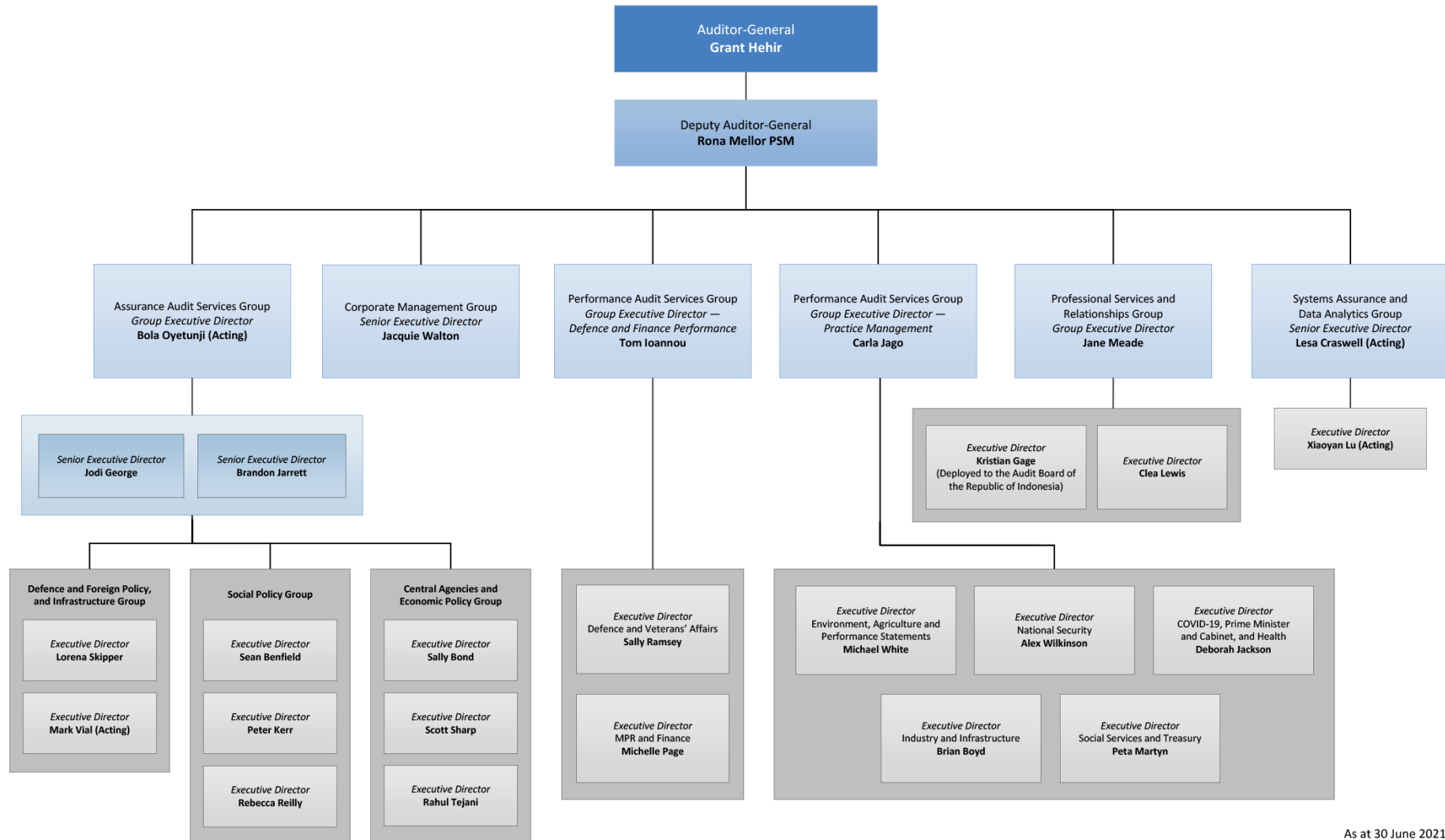
Organisational structure

To deliver on its purpose, the ANAO is organised into five functional areas:

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

The ANAO's organisational structure at 30 June 2021 is shown in Figure 2.1.

Figure 2.1: Organisational structure at 30 June 2021



As at 30 June 2021

MPR = Major Projects Report

Relationships

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

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

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

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

Parliament

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

Joint Committee of Public Accounts and Audit

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

The JCPAA is required to review all Auditor-General reports that are tabled in the Parliament and to report the results of its deliberations to both houses of Parliament. The JCPAA conducted six inquiries on its review of Auditor-General reports throughout 2020–21, resulting in the tabling of three reports.

On 2 September 2020, the JCPAA resolved to undertake a review of the *Auditor-General Act 1997*. The last major review of the Act concluded in 2010 when the JCPAA released Report 419: *Inquiry into the Auditor-General Act 1997*. The ANAO supported the inquiry by attending four public hearings, making one submission and seven supplementary submissions in response to questions from the committee.

In 2020–21, officers of the ANAO provided a total of six private briefings, attended 10 public hearings and made one submission to assist the committee in undertaking its functions. An outline of inquiries and reports is provided in Table 2.1.

Table 2.1: JCPAA inquiries and reports

Inquiry status	Inquiry	Relevant Auditor-General reports
Concluded Report 483	2018–19 Defence Major Projects Report and the Future Submarine Project — Transition to Design	No. 19 of 2019–20, <i>2018–19 Major Projects Report</i> No. 22 of 2019–20, <i>Future Submarine Program — Transition to Design</i>
Concluded Report 484	Administration of Government Grants	No. 5 of 2019–20, <i>Australian Research Council's Administration of the National Competitive Grants Program</i> No. 12 of 2019–20, <i>Award of Funding Under the Regional Jobs and Investment Packages</i> No. 23 of 2019–20, <i>Award of Funding under the Community Sport Infrastructure Program</i>
Concluded Report 485	Cyber Resilience	No. 1 of 2019–20, <i>Cyber Resilience of Government Business Enterprises and Corporate Commonwealth Entities</i> No. 13 of 2019–20, <i>Implementation of the My Health Record System</i>
Open	Governance in the Stewardship of Public Resources	No. 11 of 2019–20, <i>Implementation of the Digital Continuity 2020 Policy</i> No. 31 of 2019–20, <i>Management of Defence Housing Australia</i> No. 39 of 2019–20, <i>Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy</i> No. 2 of 2020–21, <i>Procurement of Strategic Water Entitlements</i> No. 9 of 2020–21, <i>Purchase of the 'Leppington Triangle' Land for the Future Development of Western Sydney Airport</i>
Open	Regulatory Activities	No. 33 of 2019–20, <i>Tertiary Education Quality and Standards Agency's Regulation of Higher Education</i> No. 47 of 2019–20, <i>Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999</i> No. 48 of 2019–20, <i>Management of the Australian Government's Lobbying Code of Conduct — Follow-up Audit</i> No. 5 of 2020–21, <i>Regulation of the National Energy Market</i> No. 8 of 2020–21, <i>Administration of Financial Disclosure Requirements under the Commonwealth Electoral Act</i>
Open	Review of the Auditor-General Act	

National relationships

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

Accountable authorities

Accountable authorities of Australian Government entities have primary responsibility for and control over public sector entities' operations. As such, the ANAO's work focuses on the frameworks to which accountable authorities are subject and those they put in place in their entities. The ANAO engages with entities at a number of levels to strengthen relationships and promote improved financial reporting and public sector administration, including through attendance at entity audit committees.

The ANAO considers that its ongoing relationship with chief financial officers (CFOs), officials of audited entities and audit committees helps to achieve its purpose to both improve public sector performance and support accountability and transparency in the Australian Government sector. As part of this work, the ANAO conducts forums for CFOs and, jointly with the Department of Finance, audit committee chairs to share insights on emerging and topical audit issues and requirements affecting Australian Government entities.

The ANAO hosted CFO forums in [November 2020](#) and [June 2021](#) that were each attended by approximately 85 CFOs and entity representatives. The November 2020 forum was presented to a limited number of attendees in person and by webinar in response to COVID-19 restrictions. The June 2021 forum was held by webinar. In these forums, the ANAO shared information about issues arising in audits and key focus areas of the audit program, and outlined insights and themes on the effectiveness of public administration. The ANAO retains recordings of the webinars on its website after the live delivery.

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

Australasian Council of Auditors-General

The Auditor-General is a member of the Australasian Council of Auditors-General (ACAG), which comprises the auditors-general of Australia, New Zealand, Papua New Guinea and Fiji, along with the auditors-general of each Australian state and territory. ACAG's objective is to promote and strengthen public sector audit in Australasia through leadership, collaboration, engagement, advocacy and peer support. The ANAO contributes to ACAG's work by attending business meetings and subcommittee meetings, preparing discussion papers, participating in information exchanges, undertaking annual benchmarking and client surveys, and conducting peer reviews.

Tonga Mentoring Program

ACAG identified a need to establish a mentoring program to support employees in the audit offices of smaller countries that are members of either ACAG or the Pacific Association of Supreme Audit Institutions. In conjunction with ACAG, the ANAO conducted a group mentoring program to assist audit practitioners from the Tonga Office of the Auditor General to develop audit, corporate and leadership knowledge and skills.

Mentoring sessions commenced in June 2020 and continued through to October 2020, covering financial audit, performance audit, corporate governance and leadership. The sessions were positively received by the Tonga Office of the Auditor General and provided a great opportunity for the ANAO to share learnings. The ANAO evaluated the effectiveness of the program to identify opportunities for improvement going forward.

Professional accounting bodies and standard-setting boards

The ANAO is actively involved in the work of two professional accounting bodies in Australia, CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ). Ms Carla Jago, Group Executive Director, Performance Audit Services Group, is a member of CA ANZ's ACT Regional Council, and was appointed as a member of the CA ANZ National Council on 1 January 2021. The ANAO has recognised employer status under CPA Australia's Recognised Employer Program, which includes organisations that are committed to providing their employees with the highest standard in professional development and support.

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

International relationships

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

Supreme audit institutions

The supreme audit institution (SAI) is the lead public sector audit organisation in a country. Engagement with other SAIs allows the ANAO to participate in international dialogue on best practice public administration and developments in public sector auditing. The ANAO responds to requests from SAIs directly, including by hosting and presenting to visiting delegations, providing information and participating in surveys. Although COVID-19 has halted face-to-face engagement, it has allowed the ANAO to attend more engagements virtually.

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

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

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

Ms Jane Meade, Group Executive Director, Professional Services and Relationships Group, continues to be a member of the Forum for INTOSAI Professional Pronouncements (FIPP). The FIPP aims to support professional development by ensuring that INTOSAI provides a clear and consistent set of professional standards. The FIPP achieves this through reviewing and monitoring INTOSAI's framework of professional pronouncements. During 2020–21, the ANAO participated in the forum via teleconference in September, October and November 2020 and February, April and June 2021.

During 2020–21, the ANAO continued to engage in a number of INTOSAI events through online platforms.

The ANAO's key international engagements in 2020–21 included participating in the following events.

- The 11th PASAI Annual General Meeting and the 23rd, 24th, 25th and 26th Governing Board meetings, attended by the Auditor-General as a member of the PASAI Governing Board.
- ASOSAI seminars on Implementation of Sustainable Development Goals and SAls' Responses to COVID-19 in December 2020. The objectives of the seminars were to share experience and knowledge on the two themes and provide a forum for SAI participants to benchmark against other SAls on better practice.
- Webinar on SAls' Roles in Responding to Crises and Disasters, hosted jointly by the ASOSAI Secretariat and the Special Committee on Feasibility Study for Establishment of Working Group on Crisis Management Audit in January 2021. The main topic was SAls' roles in responding to COVID-19.
- The Second Quarterly INTOSAI Working Group of IT Audit webinar in March 2021. The topic of the webinar was Enterprise-wide Audit Process and Knowledge Management IT System (UN Office of Internal Oversight Services Project).
- PASAI's Quality Assurance and Control workshop in March 2021.
- The International Scientific and Practical Conference hosted by the INTOSAI Chair in April 2021. The conference was an informal exchange aimed at finding effective solutions to pressing issues after the adoption of the Moscow Declaration in September 2019.
- The INTOSAI Performance Audit Subcommittee meeting in May 2021. The meeting afforded the subcommittee the opportunity to discuss its new work plan.
- 23rd PASAI Congress, hosted virtually by New Zealand, in June 2021. The theme for the congress was 'Impact through Leadership', and panel discussions focused on the challenges of being an SAI leader.
- Presentation to the multilateral seminar IT Audit: Current Trends and Challenges in June 2021.
- 25th UN/INTOSAI Symposium in June 2021.

In addition to the activities outlined above, the ANAO continued engagement specifically on COVID-19 auditing and organisational approaches with SAls operating within a similar environment, including New Zealand, Canada and the United Kingdom.

Australia's international development program

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

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

With approval from DFAT and the Deputy Auditor-General, the ANAO deployee to Indonesia returned to Jakarta on 31 March 2021 to resume his deployment under the DFAT partnership. The ANAO deployee to Papua New Guinea remains in Australia due to the continuing risks in the Pacific region at this time.

Australia–Indonesia Partnership for Economic Development (PROSPERA)

The ANAO's activities under the Australia–Indonesia Partnership for Economic Development (PROSPERA) with the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan — BPK) continue to support BPK's efforts to strengthen its audit functions. The program is aligned with the BPK strategic plan objectives of delivering beneficial and high quality audits. The key 2020–21 program focus areas were on performance and financial audit management, quality assurance systems, and organisational development to support audit management and capability. Recognising the maturity of the partnership, in addition to supporting the development of audit and organisational capability, the ANAO engaged with BPK on topics of mutual interest and benefit to both offices.

Due to the COVID-19 pandemic, principal modalities for the partnership program were redesigned and primarily involved the remote delivery of technical training, workshops, mentoring sessions and executive dialogues facilitated by the ANAO deployee while in Australia and on return to Indonesia.

The ANAO, in partnership with BPK, delivered 11 of 15 planned activities for 2020–21. In response to COVID-19-related travel restrictions, four planned activities were deferred or cancelled. The ANAO adapted the 2020–21 work program, shifting the focus of activities to the impact of COVID-19 on organisational and work program considerations, and technical implications, aligning with DFAT's strategy for the focus of the program going forward.

Australia — Papua New Guinea Institutional Partnerships Program

The Institutional Partnerships Program (IPP) supports the development of long-term institutional relationships between Australian and Papua New Guinea (PNG) government entities. The ANAO's activities under the program support the efforts of the PNG Auditor-General's Office (AGO) to strengthen the management of its audit functions, in line with its Corporate Plan 2017–2021 strategic objectives. The 2020–21 program focus areas were management of institutional linkages, information technology audit support, and organisational capacity development.

Due to the COVID-19 pandemic, principal modalities for the partnership program were redesigned and primarily involved the remote delivery of technical training and workshops facilitated by the ANAO deployee. The ANAO deployee also continued to provide support to the AGO and the PNG Auditor-General from Australia through regular videoconference sessions.

The ANAO, in partnership with the AGO, delivered three of 14 planned activities for 2020–21. Due to the travel restrictions imposed by the COVID-19 pandemic, five planned activities for 2020–21 were deferred. One activity was unable to be delivered in-country due to the repatriation of the ANAO deployee. The remaining five activities were unable to be delivered remotely due to PNG emergency response efforts and the closure of the AGO for extended periods.

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

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

Part 3 — Report on performance

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

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

Conclusion

In my opinion, in all material respects, the annual performance statement of the Australian National Audit Office for the period 1 July 2020 and 30 June 2021 has been prepared in accordance with the criteria set out below.

Audit Criteria and Source

The criteria against which I have formed my opinion are:

- whether the performance measures the ANAO reports against in its annual performance statement for the period 1 July 2020 to 30 June 2021 are appropriate to meet the requirements of section 16EA of the *Public Governance, Performance and Accountability Rule 2014*;
- whether the results presented in its annual performance statement for the period 1 July 2020 to 30 June 2021 were accurate and complete, and supported by appropriate records; and
- whether the ANAO has maintained in all material respects effective supporting frameworks to develop, gather, assess, monitor, assure and report in the annual performance statement for the period 1 July 2020 to 30 June 2021.

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

Basis for my Conclusion

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

In accordance with ASAE 3000 I have:

- used my professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the annual performance statement for the period 1 July 2020 and 30 June 2021 is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing my assurance procedures; however, I do not express a conclusion on their effectiveness; and
- ensured that my engagement team possesses the appropriate knowledge, skills and professional competencies.

Inherent Limitations

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

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

Use of the Report

This report was prepared for the President of the Senate and the Speaker of the House or Representatives for the purpose of providing an assurance conclusion on the ANAO's annual performance statement for the period 1 July 2020 to 30 June 2021 and may not be suitable for another purpose. I disclaim any assumption of responsibility for any reliance on my report, to any person other than the President of the Senate or the Speaker of the House of Representatives, or for any other purpose than that for which it was prepared.

My Responsibility

My responsibility is to perform a reasonable assurance engagement in relation to the ANAO's annual performance statement for the period 1 July 2020 to 30 June 2021, and to issue an assurance report that includes my conclusion.

Management's Responsibility

ANAO are responsible for:

- determining that the criteria are appropriate to meet their needs and the needs of the Auditor-General;
- preparing and presenting the annual performance statement for the period 1 July 2020 to 30 June 2021 in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the annual performance statement for the period 1 July 2020 to 30 June 2021 free from material misstatement, whether due to fraud or error.

Independence and Quality Control

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

Yours Sincerely



Eileen Hoggett
Independent Auditor

Annual performance statements

As the accountable authority of the Australian National Audit Office, I present the 2020–21 annual performance statements of the Australian National Audit Office, as required under paragraphs 39(1)(a) and (b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and section 16F of the Public Governance, Performance and Accountability Rule 2014. In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity for the reporting period and comply with subsection 39(2) of the PGPA Act.



Grant Hehir
Auditor-General
17 August 2021

Performance framework

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

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

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

Corporate plan and portfolio budget statements

The ANAO measures its performance against its purpose using a range of performance criteria, which are outlined in the Portfolio Budget Statements 2020–21 and the ANAO's Corporate Plan 2020–21.

The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance.

In its Portfolio Budget Statements 2020–21, the ANAO's sole outcome (Outcome 1) is 'to improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public'.

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

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

The ANAO's outcome and programs framework for 2020–21 is shown in Table 3.1.

Table 3.1: ANAO's outcome and programs framework for 2020–21

Outcome 1	
To improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public.	
Program 1.1: Assurance audit services	Program 1.2: Performance audit services
<p>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> • providing assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions for the Parliament, the Executive and the public; • presenting two reports annually addressing the outcomes of the financial statements audits of Australian Government entities and the consolidated financial statements of the Australian Government, to provide the Parliament with an independent examination of the financial accounting and reporting of public sector entities; and • contributing to improvements in the financial administration of Australian Government entities. 	<p>This program contributes to the outcome through:</p> <ul style="list-style-type: none"> • audits of the performance of Australian Government programs and entities, including identifying opportunities for improvement and lessons for the sector; and • other assurance reviews and information reports to Parliament.

Assurance audits

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

Performance audits

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

Performance statements audits

The intent of performance statements audits is to drive improvements in the transparency and quality of entities' reporting and, in turn, increase entities' accountability to the Parliament and public. In August 2019, the Finance Minister requested that the ANAO conduct a pilot program of audits of performance statements of Commonwealth entities subject to the PGPA Act, in consultation with the Joint Committee of Public Accounts and Audit. The Auditor-General accepted the request under

section 40 of the PGPA Act as the mechanism by which these audits can be carried out under section 15 of the *Auditor-General Act 1997*.

The pilot examined three entities' 2019–20 performance statements: the Department of Veterans' Affairs (DVA), the Attorney-General's Department (AGD), and the Department of Social Services (DSS). The pilot affirmed that the ANAO's performance statements audit methodology is fit for purpose. In December 2020, the Auditor-General provided his audit opinions on DVA and AGD's performance statements to the Finance Minister. These opinions were tabled in Parliament in February 2021 and are available on Finance's website — finance.gov.au/publications/reports. The ANAO withdrew from the 2019–20 DSS audit due in part to delays in the provision of information as DSS prioritised resources to the government's COVID-19 response.

As a continuation of the Finance Minister's request to conduct the pilot, in 2021 the ANAO is conducting audits of the same three entities' 2020–21 performance statements. For these audits, the ANAO has refined the audit methodology to reflect the specific requirements for entities' performance measures following amendments to the PGPA Rule that came into effect in 2020.

The ANAO was provided funding in the 2021 Budget to implement, in a phased way, the auditing of annual performance statements for material Australian Government entities. The ANAO's Portfolio Budget Statements (PBS) set out a schedule for the tabling of audit opinions on material entities' performance statements, rising from three in 2021–22, to six in 2022–23, 10 in 2023–24 and 14 in 2024–25. By 2025–26, the ANAO will be auditing the performance statements of 19 material entities. This will include all 15 departments, as well as those entities that are material by revenue and expenses — the Australian Taxation Office, Services Australia, the National Disability Insurance Agency and the National Indigenous Australians Agency. From 2025–26, an additional five entities per year will be selected to test maturity of non-financial performance reporting more widely in the sector.

The budget decision will enable the Parliament to have independent assurance of the non-financial performance information presented to it through the tabling of entity annual reports by Ministers. To this end, it will also strengthen the accountability framework set out in the PGPA Act. The ANAO will progressively build its capacity to conduct performance statements audits according to the PBS schedule.

Analysis of performance against our purpose

Overall, in 2020–21, the ANAO achieved 11 performance measures out of 18, an increase in the number of performance outcomes achieved in 2019–20:

- For Program 1.1: Assurance audit services, four out of seven measures were met.
- For Program 1.2: Performance audit services, three out of five measures were met.
- For relationships and corporate and professional services, four out of six measures were met.

The ANAO successfully carried out its annual audit work program 2020–21 having regard to the priorities and interests of the Parliament and providing a balanced program of activity that was informed by risk. Through the audit program, the ANAO promoted accountability, transparency and improvements to public administration; following up on past recommendations and identifying trends for improvement or declines in performance across the public sector; and applying all of the Auditor-General's mandate. The ANAO tabled five COVID-19 related performance audits and initiated a further three COVID-19 related performance audits reflecting the risks in rapid implementation of measures to address the impact of the pandemic. The ANAO conducted monthly assurance reviews of COVID-related advances to the Finance Minister reflecting the need to provide the Parliament with timely assurance and transparency of the Australian Government's pandemic response measures.

The ANAO continued to assist the Parliament by considering requests for audit from members of Parliament, by briefing members of parliament and committees, and making submissions to and/or appearing before parliamentary committees. The ANAO engagement with Parliament continued to include requests for submissions and/or appearances from committees other than the JCPAA. Consistent with 2019–20, parliamentary requests for private briefings about ANAO audits in 2020–21 remained high relative to previous year results.

In addition to appearing before the estimates hearings of the Senate Standing Committees on Finance and Public Administration in relation to ANAO's corporate responsibilities in the Prime Minister and Cabinet portfolio, the ANAO may also be invited to provide comment and insights into matters relevant to Auditor-General reports across Senate estimates committee portfolios. In 2020–21, the ANAO appeared before the Senate Standing Committees on Environment and Communications budget estimates hearings to assist the committees with insights into Auditor-General Reports No. 47 of 2019–20, *Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999*; and No. 35 of 2020–21, *Implementation of the Great Barrier Reef Foundation Partnership*.

In 2020–21, the ANAO presented 42 performance audits for tabling in the Parliament. The primary focus of ANAO performance audits was effectiveness and economy — the extent to which entities delivered on intended objectives and the value for money achieved in doing so. The year also saw continued emphasis on risk management and governance within entities with a focus on service delivery and regulation, grants and procurement management, and cyber security. Performance audit work covered non-corporate and corporate government entities reflecting the Auditor-General's mandate.

In 2020–21, the ANAO published four *Audit Insights* reports to support its purpose and the focus of the annual audit work program. Topics addressed were entities' approaches to implementing parliamentary and ANAO recommendations; performance measurement and monitoring; administering regulation; and emergency management — insights from the Australian Government's COVID-19 response.

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

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

Performance results for Program 1.1: Assurance audit services

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

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

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

Key to the ANAO's audit process is an assessment of entities' internal control frameworks as they apply to financial reporting. An effective internal control framework provides the ANAO with a level of assurance that entities are able to prepare financial statements that are free from material misstatement. In 2020–21, a total of 60 findings were reported to the entities included in the interim audit report to Parliament, comprising no significant, nine moderate and 51 minor findings. This is a decrease on the interim audit results of 2019–20, with a total of 74 reported findings comprising no significant, eight moderate and 65 minor findings and one significant legislative breach. Fifty-three per cent of findings are in the areas of management of IT controls, particularly the management of privileged users.

The Consolidated Financial Statements present the consolidated whole-of-government financial results inclusive of all Australian Government-controlled entities, as well as the general government sector financial report. The 2019–20 Consolidated Financial Statements were signed by the Minister for Finance on 24 November 2020 and an unmodified auditor's report was issued on the same day.

A total of 142 findings were reported to entities as a result of the 2019–20 financial statements audits. These comprised two significant, 22 moderate and 118 minor findings. Most of the significant and moderate findings were in the areas of:

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

Three legislative breaches were also reported to entities during 2019–20 financial statements audits. Of the legislative breaches, one was significant and two were non-significant. A significant breach is reported where a significant potential or actual breach of the Constitution occurs, or where noncompliance with an entity's enabling legislation, legislation the entity is responsible for administering, or the PGPA Act is identified. A non-significant legislative breach is reported where instances of noncompliance with other legislation, or subordinate legislation, are identified.

Performance measures

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

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

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

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

Criterion 1	Percentage of the mandatory financial statements auditor’s reports completed	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93	
Result	Achieved a result of 100% against a target of 100%	MET

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

During 2020–21, the ANAO completed 246 of 246 mandated¹ financial statements audits for the year ended 30 June 2020. This included the Consolidated Financial Statements of the Australian Government.

In addition to financial statements audits, the ANAO also completed two mandated non–financial statements audits in 2019–20. These are compliance audits required by section 28D of the *Australian Postal Corporation Act 1989* and subsection 313(3) of the *Bankruptcy Act 1966*. These audits are reported under Criterion 3 below — Number of assurance audit reports by arrangement.

Details of issues identified during the financial statements audits are included in Auditor-General Report No.25 of 2020–21: [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020](#).

Criterion 2	Number of financial statements–related audit reports presented to Parliament	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93	
Result	Achieved a result of 2 against a target of 2	MET

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

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

Auditor-General Report No.25 of 2020–21: [*Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020*](#) was tabled in December 2020. This report complemented the interim-phase report published in June 2020 and provided a summary of the final results of the audits of the Consolidated Financial Statements for the Australian Government and the financial statements of Australian Government entities.

Auditor-General Report No.40 of 2020–21: [*Interim Report on Key Financial Controls of Major Entities*](#) was tabled in June 2021. This report focused on the results of the interim audit phase — including an assessment of entities' key internal controls — of the 2020–21 financial statements audits of 25 entities, including all departments of state and a number of major Australian Government entities. The work performed for the interim report pre-dated adjustments entities have made to their financial and risk management controls. These risks will be considered in the final audits of financial statements.

Criterion 3 Number of assurance audit reports by arrangement	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93
Result	Achieved a result of 45 against a target of 45 MET

The target was based on an estimate of the number of audits and reviews by arrangement that the ANAO may be requested to undertake.

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

In 2020–21, the ANAO completed 38 audits or reviews conducted under section 20 of the *Auditor-General Act 1997*. They include financial statements audits and audits or reviews of compliance with legislative requirements. Also reported against this criterion are five limited assurance reviews of the Advances to the Finance Minister, under section 19A of the *Auditor-General Act 1997*, and two mandated non-financial statements audits completed by the ANAO in 2020–21. The two mandated non-financial statements audits are required by section 28D of the *Australian Postal Corporation Act 1989* and subsection 313(3) of the *Bankruptcy Act 1966*.

Once inquiries by the ANAO have been concluded, the outcomes and any findings from these individual assurance activities are communicated through the issue of a formal report or by other correspondence. The ANAO charges a fee for these audits and reviews.

Criterion 4 Percentage of auditor's reports issued within three months of the financial-year-end reporting date	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93
Result	Achieved a result of 77.4% against a target of 85% NOT MET

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

Providing timely auditor's reports also supports entities in meeting requirements to provide audit-cleared financial information to the Department of Finance in accordance with deadlines that are set to assist the Australian Government to prepare the Final Budget Outcome by 30 September and the Consolidated Financial Statements by 30 November each year. The Consolidated Financial Statements present whole-of-government financial results, inclusive of all Australian Government-controlled entities.

Achievement of this measure relies on entities providing the ANAO with auditable financial statements within the required timeframe. The ANAO noted a decrease in findings related to processes supporting financial statements preparation; reduced delivery of draft financial statements in line with entity financial statements project plans; and an increase in the total value of audit differences reported to entities in 2019–20 compared to 2018–19. The ANAO works closely with entities to facilitate the timely finalisation of the financial statements, with the objective of issuing auditor's reports within two business days of the financial statements being signed. The ANAO issued 96 per cent (2019–20: 95 per cent) of auditors' reports within two business days of the signing of the financial statements by the accountable authority.

The result of 77.4 per cent of entities being issued a signed auditor's report within three months of the financial year end is a decrease from 81.9 per cent in the prior year. The average for the three years 30 June 2017 to 2019 is 85.5 per cent.

Criterion 5 Percentage increase to average cost per financial statements audit	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 92
Result	Achieved a result of 6.1% increase against a target of 0% NOT MET

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

In 2020–21, the ANAO is reporting on audits of financial statements from the 2019–20 audit cycle, as the financial year ends on 30 June and the audit occurs after the end of the financial year. Therefore, the average cost per audit for the Assurance Audit Services Group is calculated by comparing the average cost of the 2019–20 audit cycle to the average cost of the 2018–19 audit cycle. The 2019–20 average cost was \$164,268 and the 2018–19 average cost was \$154,889 representing a 6.1 per cent increase. The increase was mainly driven by incurring contract costs for Snowy Hydro Limited for the first time, additional work due to the Administrative Arrangement Orders effective from 1 February 2020 which resulted in new entities or changed entity arrangements, complexity of valuation work and additional work associated with auditing the government response to the COVID-19 pandemic.

Table 3.2: Cost of assurance audit reports, 2017–18 to 2019–20

	Percentage increase Target	Average cost per mandated audit (\$) ^(a)	Range of audit fees charged ^(b) (\$)	Actual result (Percentage)
2019–20	0	164,268	5500–3,700,000	6.06
2018–19	0	154,889	5500–3,800,000	0.63
2017–18	0	153,913 ^(c)	5000–3,800,000	0.12

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

(b) Fees are charged on a cost recovery basis.

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

Criterion 6	Percentage of moderate or significant findings from assurance audit reports agreed to by audited entities	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93	
Result	Achieved a result of 91.6% against a target of 90%	MET

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

The audit findings and recommendations are reported using a rating scale whereby significant and moderate risk issues are reported individually to the audited entities, the relevant minister and the Parliament. Lower risk issues are also reported individually to each entity, and in aggregate in the ANAO's reports to Parliament.²

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

Criterion 7	Percentage of moderate and significant findings that are addressed by material entities within one year of reporting	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.1, p. 93	
Result	Achieved a result of 53% against a target of 90%	NOT MET

² Significant (Category A) issues are those that pose a significant business or financial management risk to the entity. These include issues that could result in a material misstatement of the entity's financial statements. Moderate (Category B) issues are those that pose a moderate business or financial management risk to the entity. These may include prior-year issues that have not been satisfactorily addressed.

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

Audit findings are reported to entities at the conclusion of each year's financial statements audit. In order to determine whether these findings have been addressed by entities within one year of reporting, a full twelve-month period is required from the end of the previous audit cycle. The audit cycle generally runs from October to September. Therefore, this performance measure for 2020–21 considers whether the audit findings reported at the conclusion of the 2018–19 audit cycle had been addressed by entities at the conclusion of the 2019–20 audit cycle. At the conclusion of the 2018–19 audit cycle, 19 significant and moderate findings were reported to material entities. A number of these findings relate to complex areas and/or system changes that entities have needed additional time to address. Ten of these findings (53 per cent) were resolved within one year of being reported.

Performance results for Program 1.2: Performance audit services

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

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

In 2020–21, the primary focus of ANAO performance audits was effectiveness (the extent to which entities delivered on intended objectives and their performance measurement against these objectives) and economy (the extent to which value for money is being achieved). In 2020–21, the focus on effectiveness included an examination of the government's response to the COVID-19 pandemic.

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

In response to ongoing parliamentary interest, the ANAO continued its audit series on the implementation of ANAO and parliamentary recommendations. In 2020–21, the Auditor-General tabled 10 performance audits that either followed up on an entity's progress in implementing recommendations or followed on from other related audits.³

In August 2019, the Finance Minister requested that the ANAO conduct a pilot program of audits of performance statements of Commonwealth entities subject to the PGPA Act, in consultation with the Joint Committee of Public Accounts and Audit. The Auditor-General accepted the request under section 40 of the PGPA Act as the mechanism by which these audits can be carried out under section 15 of the *Auditor-General Act 1997*.

³ This includes Auditor General Report No.11 of 2020–21 *Indigenous Advancement Strategy — Children and Schooling Program and Safety and Wellbeing Program*. This audit was conducted as two separate audits but was tabled as a single audit. It has been counted twice in the number of follow-on audits.

The pilot examined three entities' 2019–20 performance statements: Department of Veterans' Affairs (DVA), Attorney-General's Department (AGD), and Department of Social Services (DSS). The pilot affirmed that the ANAO's performance statements audit methodology is fit for purpose. In December 2020, the Auditor-General provided audit opinions on DVA's and AGD's performance statements to the Finance Minister. These opinions were tabled in Parliament in February 2021. The ANAO withdrew from the 2019–20 DSS audit due in part to delays in the provision of information as DSS prioritised resources to the government's COVID-19 response.

Performance measures

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

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

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

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

Criterion 8 Number of performance reports prepared for Parliament	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, Program 1.2, p. 94
Result	Achieved a result of 42 against a target of 42 MET

In 2020–21, the Auditor-General presented 42 performance audits for the information of the Parliament (Table 3.3).⁴

In addition to the 42 performance audits presented to Parliament, the ANAO presented Auditor-General Report No.19 of 2020–21: [2019–20 Major Projects Report](#) in November 2020. This is an annual publication that provides assurance regarding the progress of major Defence projects.

⁴ A total of 41 audits were tabled in the Parliament. Auditor General Report No.11 of 2020–21 *Indigenous Advancement Strategy — Children and Schooling Program and Safety and Wellbeing Program* was completed as two separate audits but was tabled as a single audit. However, the audit has been counted twice as two audits were prepared.

Table 3.3: Number of performance audit reports, 2015–16 to 2020–21

	Number of performance audits	
	Target	Result
2020–21	42	42
2019–20	48	42
2018–19	48	48
2017–18	48	47
2016–17 ^(a)	48	58
2015–16 ^(a)	49	35

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

Criterion 9	Average elapsed time (months) for completion of performance audits	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2019–20, Program 1.2, p. 94	
Result	Achieved a result of 10.5 months against a target of 10 months	NOT MET

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

In 2020–21, there were 10 audits that were originally expected to table in 2019–20 that were delayed into 2020–21, in part due to COVID-19 related delays. On average, these 10 audits took 14.9 months to deliver. While 18 of the 42 audits were delivered in under 10 months, these short audits did not fully offset the length of the delayed audits.

Table 3.4: Duration of performance audits, 2015–16 to 2020–21

	Time taken to complete report (months)		
	Target	Average	Range
2020–21	10.0	10.5	5.4–17.4
2019–20	10.0	10.0	6.3–14.0
2018–19	10.5	10.1	4.6–18.1
2017–18	10.5	9.6	6.2–15.9
2016–17	N/A	10.6	5.2–22.0
2015–16	N/A	11.6	6.9–18.6

Criterion 10 Percentage increase to average cost per performance audit		
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2019–20, Program 1.2, p. 94	
Result	Achieved a result of 18.0% increase against a target of 0%	NOT MET

The average cost of audits delivered in 2020–21 has increased compared to audits delivered in 2019–20. This reflects that 2020–21 audits have required, on average, around 500 more hours per audit than audits tabled in 2019–20. The additional hours reflect a number of factors including audit complexity and the need for additional senior staff time due to junior staff inexperience as a consequence of high rates of staff turnover. The complexity of an audit can increase due to circumstances such as covering multiple entities in one audit, record keeping issues identified within audited areas, highly technical and complex audit subject matter and difficult auditee relationships that require additional time to manage.

The number of staff working on performance audits declined in line with the available budget for performance audits in 2020–21, requiring that staff, mostly at more senior levels, spend a greater proportion of their available time on audit work than in previous years. Staff also worked additional hours above that expected in order to deliver the planned number of audits. Fifteen of the 42 audits tabled in 2020–21 were tabled in quarter four when staffing levels were at their lowest following staff reductions necessary to achieve budget, placing additional pressure on staff. As an ongoing prospect, this position is unsustainable. It puts at risk the quality of audit products by reducing the time available for training and development and impacts on job satisfaction and wellbeing — factors which can contribute to attrition. The additional funding received by the ANAO in the 2021–22 Budget should enable the ANAO to establish a more sustainable approach.

The cost of an audit is calculated by multiplying the hours that each level of staff worked on that audit by a charge out rate that is set for each staffing level. The charge out rates are set to recover the direct costs of those staff working on the audit and the overhead cost of supporting those staff. The ANAO's 2019–20 charge out rate was retained without change in 2020–21, primarily due to the late timing of the 2020–21 Federal Budget when it became known what the ANAO's appropriation for 2020–21 would be and therefore what staffing levels and other operating expenses were affordable. The ANAO's 2020–21 appropriation decreased therefore actions were put in place during 2020–21 for expenses to decrease accordingly. This resulted in higher 2020–21 charge out rates being applied than if the rates had been calculated using the updated expected 2020–21 expenses.

Table 3.5: Cost of performance audit reports, 2015–16 to 2020–21

	Percentage increase	Cost per performance audit (\$'000) ^(a)		Actual result
	Target	Average	Range	
2020–21	0	520	234–984	18.0% increase
2019–20	0	439	186–904	5.0% increase
2018–19	0	419	131–670	0.7% decrease
2017–18	0	422	159–786	9.8% decrease
2016–17	N/A	468	102–1,500	11.0% decrease
2015–16	N/A	526	230–767	N/A

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

Criterion 11 Percentage of recommendations from performance audit reports agreed to by audited entities	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2019–20, Program 1.2, p. 94
Result	Achieved a result of 92% against a target of 90% MET

The ANAO makes recommendations in performance audit reports to support Parliament in its role in holding entities to account for their use of public money, and to seek to improve public administration. Throughout a performance audit, the ANAO keeps entities informed of findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations. Table 3.6 provides details of recommendations agreed against those made. Only recommendations that were agreed without qualification are included as ‘agreed’ recommendations. In 2020–21, 152 recommendations were agreed, 10 recommendations were agreed with qualification, two recommendations were not agreed and one recommendation was noted.

Table 3.6: Agreement to recommendations in performance audit reports, 2015–16 to 2020–21

	Recommendations				
	Total number	Fully agreed (%)	Agreed with qualifications (%)	Not agreed (%)	Noted or no response by entities (%)
2020–21	165	92	6	1	1
2019–20	141	90.8	1.4	2.8	5.0
2018–19	146	90	7.0	0.5	2.5
2017–18	126 ^(a)	85	9.5	2.5	3.0
2016–17	102	91	4.0	3.0	2.0
2015–16	103	97	3.0	0.0	0.0

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

Criterion 12 Percentage of ANAO recommendations implemented within 24 months of a performance audit report	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2019–20, Program 1.2, p. 94
Result	Achieved a result of 79% against a target of 70% MET

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

Table 3.7: Percentage of performance audit recommendations implemented within 24 months

	Recommendations (number)	Recommendations implemented (%)	Recommendations not implemented (%)	Recommendations with no response provided (%)
2018–19	146	79	19	2
2017–18	126	81	19	0
2016–17	102	72	26	2
2015–16	103	89	11	0

Performance results for relationships and corporate and professional services

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

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

Performance measures

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

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

Criterion 13 Number of appearances and submissions to parliamentary committees	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, shared by programs 1.1 and 1.2, p. 97
Result	Achieved a result 45 against a target of 40 MET

The ANAO supports the work of parliamentary committees by providing private briefings on request, and making appearances before, and submissions to, committee inquiries. This effort is based on audit reports tabled in Parliament. In 2020–21, the ANAO made 45 appearances before, and submissions to, parliamentary committees. [Annexure A](#) details ANAO appearances and submissions.

The 2020–21 result exceeded the target and is comparable to the 2019–20 result of 47. The relationship with the JCPAA remains the ANAO's key parliamentary engagement. To support the work of the Parliament more broadly, the ANAO focused on proactively seeking opportunities to engage with the Parliament to improve the utilisation of audit reports in parliamentary proceedings. Engagement activities included:

- providing written briefs to incoming ministers and shadow ministers following portfolio changes which outlined the work of the ANAO specific to portfolio responsibilities;

- reviewing all Senate, House and joint committee inquiries and making submissions and being available to appear at hearings where there was relevant audit coverage to the committee inquiry terms of reference; and
- providing a summary before all estimates hearings to estimates committees, which includes information about all audit reports tabled since the last estimates hearings and highlighting which audits are relevant to a committee's portfolio of responsibilities.

Criterion 14 Percentage of private briefings undertaken by request of parliamentarians	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21 shared by programs 1.1 and 1.2, p. 97
Result	Achieved a result of 100% against a target of 100% MET

In 2020–21, the ANAO provided 25 of 25 private briefings requested by parliamentarians. The total number of briefings provided in 2020–21 is comparable to the 27 briefings provided in 2019–20, noting that the 2019–20 result was substantially higher than the previous year's results. Of the 25 briefings provided, 24 related to specific audit reports and one briefing provided a general outline of ANAO audit services provided to the Parliament.

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

Criterion 15 The ANAO independent quality assurance program indicates that audit conclusions are appropriate	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, shared by programs 1.1 and 1.2, p. 97
Result	Achieved a result of 94.1% against a target of 100% NOT MET

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

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

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

Monitoring processes include:

- annual quality assurance reviews of completed audits covering all of the functions of the ANAO;
- real-time quality reviews of in-progress financial statements audits;
- progress reviews at specified points by the audit executive and Auditor-General for in-progress performance audits;

- biennial external peer reviews of completed performance audits performed by the New Zealand Office of the Auditor-General;
- external reviews of the quality framework and completed financial statement audits conducted by the Australian Securities and Investments Commission; and
- internal audits of compliance with selected requirements of the ANAO audit manual.

In 2020–21, the annual quality assurance program of completed audits reviewed nine financial statements audits and four performance audits. In addition, four real-time quality reviews of in-progress financial statements audits were conducted. One real-time review was a complete review and three were focused reviews on areas of the audit with increased risks arising from COVID-19. The focused reviews are not included in the above performance measure.

One financial statements audit file reviewed was determined to be unsatisfactory as a material misstatement was not detected in the audit, meaning the conclusion was inappropriate in the circumstances. The audit report was withdrawn and the financial statements were corrected. A revised audit report was issued in respect of the revised financial statements. All remaining financial statement audit conclusions and all performance engagement assurance conclusions were appropriate in the circumstances. The three satisfactory reviews conducted by the Australian Security Investment Commission discussed below are also included in the performance measure.

Based on the results reported to the Executive Board of Management and the completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2020–21. Identified deficiencies and good practice recommendations identified in all internal and external reviews are addressed by ANAO follow-up actions. Progress and completion of follow-up actions is monitored by the Quality Committee.

As in previous years, the mix of financial statements audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted firms. Identified areas for improvement in financial statements audits related to the design and execution of substantive analytical procedures and procedures over key management personnel disclosures, and the documentation related to gaining assurance over the completeness and accuracy of auditee-generated reports and information, preliminary risk analytics and subsequent events. The identified areas for improvement in performance audits related to the completion of test programs, engagement risk assessments, documentation of independence declarations and the timely closure of the audit file.

In 2020–21, the ANAO conducted a root cause analysis of selected findings and observations from the inspections of 2018–19 financial statements audit files to identify the root cause of findings and determine the most appropriate remedial actions. Follow up actions arising from this analysis included consideration of the extent of ANAO oversight and involvement in contract-out audits; promoting the use of available methodology templates; and ensuring that the design of journal entry testing and substantive analytical reviews is completed and reviewed in planning.

The ANAO Qualifications and Technical Advisory Committee provides a forum for engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit-related matters. ANAO policy identifies the matters that must be referred to the committee and the committee meets as required to provide advice to the Auditor-General. Under ANAO audit policy, the Auditor-General can refer matters arising in performance audits to the committee for advice. The committee was consulted on 20 matters in 2020–21.

In 2020–21, the ANAO continued the arrangement, initiated in 2017–18, with the Australian Securities and Investments Commission (ASIC) to conduct an annual external independent review of the ANAO's quality assurance framework and financial statements audit files. This is similar to the review work conducted by ASIC on external auditors in the private sector. The reviews are valued by the

ANAO as they provide external scrutiny and the ANAO recognises the important role that openness to evaluation plays in building a culture focused on quality, learning and continuous improvement. This year, three audits of financial statements for the year ended 30 June 2020 were reviewed. These reviews were conducted using ASIC's methodology for reviewing private sector audits. In respect of the file reviews, ASIC made findings on the design and execution of substantive analytical procedures, on the sufficiency and adequacy of documentation on the assessment of management's expert valuations, and re-consulting on prior year technical advice.

In respect of the quality framework, ASIC reviewed the ANAO's responses to recommendations made in the prior-year review, the ANAO's second root cause analysis conducted in 2020–21 and the policies and processes over the approvals of other services provided by contracted firms to ANAO auditees. ASIC provided the ANAO with one good practice recommendation to ensure that the documentation regarding approvals of other services sufficiently captures the evaluation and conclusion reached. Within the scope of its review, ASIC identified no areas where the design of the framework did not satisfy the requirements of Auditing Standard ASQC 1.⁵

In 2020–21, the ANAO's internal auditor conducted a review on compliance with selected ANAO Audit Manual policies, including: completion of independence declarations; process for agreement of work with the Systems Assurance and Data Analytics (SADA) group; sign-off of planning documentation prior to interim work; use of risk assessment and test program templates; sign-off of planning meeting minutes; revenue rebuttal of fraud in revenue recognition; and documentation of entry and exit meetings. Two medium-risk recommendations were made regarding monitoring of independence declaration sign-offs and ensuring risk assessments are adequately documented and monitored. Five low risk recommendations were made regarding documentation of entry and exit meetings; clarifying ANAO Audit Manual policy requirements; timely review of planning; sign-offs of planning meeting minutes and documentation of SADA involvement.

Criterion 16 Percentage of inquiries and audit requests from parliamentarians finalised within 28 days	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21 shared by programs 1.1 and 1.2, p. 96
Result	Achieved a result of 95% against a target of 90% MET

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

In determining the ANAO's audit work program, the Auditor-General must have regard to the audit priorities of the Parliament, as determined by the JCPAA. Formal consultation with the JCPAA about the audit priorities of the Parliament occurs between February and May each year to inform the development of the ANAO's annual audit work program. The ANAO provided the draft work program for 2020–21 to the JCPAA in March 2021. Throughout the year, the Auditor-General also receives direct requests from members of parliament and senators for audits of particular areas of public administration. Where the Auditor-General determines that further examination is warranted as a result of an audit request, a response can be provided through a range of mechanisms, including by initiating a performance audit, assurance review or information report, through correspondence or inclusion in future work programs.

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

In 2020–21, the Auditor-General received 21 requests for audit from members and senators of the Parliament of Australia. A response to 95 per cent of requests (20 of 21) was provided in 28 days. [Annexure B](#) outlines the ANAO's responses to these requests.

Criterion 17 Percentage of JCPAA members surveyed who were satisfied that the ANAO improved public sector performance and supported accountability and transparency	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, shared by programs 1.1 and 1.2, p. 97
Result	Achieved a result of 71% against a target of 90% NOT MET

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

The ANAO engaged a research firm, ORIMA Research Pty Ltd, to conduct a survey of JCPAA members in 2021. The result of 71 per cent against a target of 90 per cent was based on the percentage of JCPAA members who responded to the survey that agreed or strongly agreed to the following statements:

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

In 2021, seven of the 15 JCPAA members responded to the survey (47 per cent), which is consistent with the previous participation rate of 50 per cent (eight of 16 members surveyed) in 2020. Comparative analysis of the 2017–18, 2018–19 and 2019–2020 annual survey results revealed that a result of 100 per cent was achieved in these years in respect to the satisfaction ratings that the ANAO improved public sector performance and supported accountability and transparency. JCPAA members were overall positive with over 70 per cent of respondents rating each aspect of the survey favourably. The majority of aspects remained in-line with, or slightly lower than the 2019–20 results, the 2020–2021 result was due to a marginal increase in the proportion of neutral responses, rather than negative ones.

The ANAO received positive ratings in relation to the ANAO's role and function; the ANAO's audit priorities; the support the ANAO provides to the JCPAA, clearly communicating significant issues in reports; and the overall value of information it provides on public sector performance. Satisfaction ratings for performance audit reports, the Defence Major Projects Report and other assurance review reports were consistently high, with some opportunity for improvement in relation to reports being easy to understand and the perception of financial statement audit opinions providing assurance to the Parliament.

Criterion 18 Number of published audit insights and key learnings from across ANAO activities	
Source	ANAO Corporate Plan 2020–21 Portfolio Budget Statements 2020–21, programs 1.1 and 1.2, p. 97
Result	Achieved a result of 4 against a target of 4 MET

The ANAO's *Audit Insights* products provide information on shared learnings for all Commonwealth entities as identified through financial statements audits and performance audits. In 2020–21, the ANAO published four reports in its *Audit Insights* series:

- [Implementation of Recommendations](#);
- [Performance Measurement and Monitoring — Developing Performance Measures and Tracking Progress](#);
- [Administering Regulation](#); and
- [Emergency Management — Insights from the Australian Government's COVID-19 Response](#).

The ANAO continued to revise and improve the development of *Audit Insights* since the first edition was released in 2017. The key change has been to focus on a strategic thematic topic as a method to identify the narrative, tell the story and identify the audience for each edition. Key learnings identified in the course of each performance audit are included in the audit report.

Transparency reporting

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

Annexure A

Table 3A.1: ANAO appearances before, and submissions to, parliamentary committees in 2020–21

Date	Committee	Topic	Type
2 July 2020	Joint Committee of Public Accounts and Audit	Cyber resilience — inquiry into Auditor-General reports: <ul style="list-style-type: none"> No. 1 of 2019–20, <i>Cyber Resilience of Government Business Enterprises and Corporate Commonwealth Entities</i> No. 13 of 2019–20, <i>Implementation of the My Health Record System</i> 	Hearing
3 July 2020	Joint Committee of Public Accounts and Audit	Administration of government grants — inquiry into Auditor-General reports: <ul style="list-style-type: none"> No. 5 of 2019–20, <i>Australian Research Council's Administration of the National Competitive Grants Program</i> No. 12 of 2019–20, <i>Award of Funding under the Regional Jobs and Investment Packages</i> No. 23 of 2019–20, <i>Award of Funding under the Community Sport Infrastructure Program</i> 	Hearing
3 July 2020	Joint Committee of Public Accounts and Audit	Defence major projects — inquiry based on Auditor-General reports: <ul style="list-style-type: none"> No. 19 of 2019–20, <i>2018–19 Major Projects Report</i> No. 22 of 2019–20, <i>Future Submarine Program — Transition to Design</i> 	Hearing
9 July 2020	Senate Environment and Communications Legislation Committee	Inquiry into the future of Australia Post's service delivery	Submission
30 July 2020	Senate Environment and Communications References Committee	Inquiry into Australia's faunal extinction crisis	Hearing
4 August 2020	Parliamentary Joint Committee on Intelligence and Security	Inquiry into Australian Federal Police's use of statutory powers (see Auditor-General Report No. 43 of 2020–21, <i>Australian Federal Police's Use of Statutory Powers</i>)	Briefing
2 September 2020	Joint Committee of Public Accounts and Audit	Performance statements pilot audits update	Briefing
2 September 2020	Senate Select Committee on Administration of Sports Grants	Inquiry into the administration of sports grants	Hearing

Date	Committee	Topic	Type
9 September 2020	House of Representatives Standing Committee on Social Policy and Legal Affairs	Inquiry into homelessness in Australia	Submission
11 September 2020	Joint Committee on Law Enforcement	Inquiry into the integrity of Australia's border arrangements	Hearing
7 October 2020	Joint Committee of Public Accounts and Audit	Defence Major Projects Report — proposed project selection and guidelines for 2019–20	Briefing
19 October 2020	Senate Standing Committees on Finance and Public Administration	2020–21 Budget Senate Estimates	Hearing
10 November 2020	Senate Economics Legislation Committee	Inquiry into Foreign Investment Reform (Protecting Australia's National Security) Bill 2020 and Foreign Acquisitions and Takeovers Fees Imposition Amendment Bill 2020 [Provisions]	Submission
11 November 2020	Joint Committee of Public Accounts and Audit	Recently tabled Auditor-General reports for the committee's review	Briefing
18 November 2020	Parliamentary Joint Committee on Corporations and Financial Services	Inquiry into the oversight of the Australian Securities and Investments Commission, the Takeovers Panel and the Corporations Legislation No. 1 of the 46th Parliament	Hearing
27 November 2020	Joint Committee of Public Accounts and Audit	Inquiry into the review of the <i>Auditor-General Act 1997</i>	Submission
30 November 2020	Parliamentary Joint Committee on Intelligence and Security	Inquiry into intelligence agencies	Submission
9 December 2020	Joint Committee of Public Accounts and Audit	Inquiry into the review of the <i>Auditor-General Act 1997</i>	Hearing
12 January 2021	Parliamentary Standing Committee on Public Works	Inquiry into the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Perth Precinct Project	Submission
3 February 2021	Joint Committee of Public Accounts and Audit	ANAO 2021–22 Budget submission	Briefing
11 February 2021	Parliamentary Standing Committee on Public Works	Auditor-General Report No. 39 of 2019–20, <i>Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy</i>	Briefing
16 February 2021	House of Representatives Standing Committee on Social Policy and Legal Affairs	Auditor-General Report No. 28 of 2020–21, <i>Administration of the National Housing Finance and Investment Corporation</i>	Briefing
19 February 2021	Senate Standing Committees on Finance and Public Administration	Inquiry into the current capability of the Australian Public Service	Submission

Date	Committee	Topic	Type
19 February 2021	Joint Committee of Public Accounts and Audit	ANAO 2021–22 Budget submission	Briefing
19 February 2021	Joint Committee of Public Accounts and Audit	Inquiry into the review of the <i>Auditor-General Act 1997</i>	Hearing
3 March 2021	Joint Committee of Public Accounts and Audit	Inquiry into the review of the <i>Auditor-General Act 1997</i>	Hearing
3 March 2021	Joint Committee of Public Accounts and Audit	<p>Governance in the stewardship of public resources — inquiry into Auditor-General reports:</p> <ul style="list-style-type: none"> No. 11 of 2019–20, <i>Implementation of the Digital Continuity 2020 Policy</i> No. 31 of 2019–20, <i>Management of Defence Housing Australia</i> No. 39 of 2019–20, <i>Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy</i> No. 2 of 2020–21, <i>Procurement of Strategic Water Entitlements</i> No. 9 of 2020–21, <i>Purchase of the ‘Leppington Triangle’ Land for the Future Development of Western Sydney Airport</i> 	Hearing
4 March 2021	Joint Committee of Public Accounts and Audit	<p>Regulatory activities — inquiry into Auditor-General reports:</p> <ul style="list-style-type: none"> No. 33 of 2019–20, <i>Tertiary Education Quality and Standards Agency’s Regulation of Higher Education</i> No. 47 of 2019–20, <i>Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999</i> No. 48 of 2019–20, <i>Management of the Australian Government’s Lobbying Code of Conduct — Follow-up Audit</i> No. 5 of 2020–21, <i>Regulation of the National Energy Market</i> No. 8 of 2020–21, <i>Administration of Financial Disclosure Requirements under the Commonwealth Electoral Act</i> 	Hearing
10 March 2021	Senate Finance and Public Administration References Committee	Inquiry into the Western Sydney Airport project	Hearing
18 March 2021	Joint Standing Committee on the National Capital and External Territories	Auditor-General Report No. 29 of 2020–21, <i>Management of the National Collections — Follow-on</i>	Briefing

Date	Committee	Topic	Type
22 March 2021	Senate Finance and Public Administration Legislation Committee	Additional Estimates 2020–21	Hearing
14 April 2021	Joint Committee of Public Accounts and Audit	<p>Governance in the stewardship of public resources — inquiry into Auditor-General reports:</p> <ul style="list-style-type: none"> No. 11 of 2019–20, <i>Implementation of the Digital Continuity 2020 Policy</i> No. 31 of 2019–20, <i>Management of Defence Housing Australia</i> No. 39 of 2019–20, <i>Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy</i> No. 2 of 2020–21, <i>Procurement of Strategic Water Entitlements</i> No. 9 of 2020–21, <i>Purchase of the 'Leppington Triangle' Land for the Future Development of Western Sydney Airport</i> 	Hearing
15 April 2021	Parliamentary Joint Committee on Intelligence and Security	Reviews of Administration and Expenditure nos.18 and 19 (2018–19 and 2019–20) — Australian intelligence agencies	Hearing
5 May 2021	Senate Environment and Communications References Committee	Inquiry into Australia Post	Submission
12 May 2021	Joint Committee of Public Accounts and Audit	ANAO's response to the committee's Report 485: <i>Cyber Resilience</i>	Briefing
20 May 2021	Joint Committee of Public Accounts and Audit	Review of the <i>Auditor-General Act 1997</i>	Hearing
21 May 2021	Joint Standing Committee on Foreign Affairs, Defence and Trade	Inquiry into certain aspects of the Department of Foreign Affairs and Trade Annual Report 2019–20	Submission
21 May 2021	Joint Standing Committee on Foreign Affairs, Defence and Trade	Inquiry into the Department of Defence Annual Report 2019–20	Submission
21 May 2021	Joint Standing Committee on the National Disability Insurance Scheme	Inquiry into independent assessments	Submission
21 May 2021	Senate Legal and Constitutional Affairs References Committee	Inquiry into the efficacy, fairness, timeliness and costs of the processing and granting of visa classes which provide for or allow for family and partner reunions	Submission
21 May 2021	House of Representatives Standing Committee on the Environment and Energy	Inquiry into the current circumstances, and the future need and potential for dispatchable energy generation and storage capability in Australia	Submission

Date	Committee	Topic	Type
24 May 2021	Senate Finance and Public Administration Legislation Committee	2021–22 Budget Estimates	Hearing
24 May 2021	Senate Environment and Communications Legislation Committee	2021–22 Budget Estimates — Environment portfolio	Hearing
26 May 2021	Senate Environment and Communications Legislation Committee	2021–22 Budget Estimates — Communications portfolio	Hearing
18 June 2021	Senate Rural and Regional Affairs and Transport Committee	Inquiry into the Federal Government's drought, and the adequacy and appropriateness of policies and measures to support farmers, regional communities and the Australian economy	Hearing

Annexure B

Table 3B.1: Parliamentary requests for audit, 2020–21

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
17 July 2020	12 August 2020	Senator Rachel Siewert	National COVID-19 Coordination Commission	Consider as a potential audit topic as part of consideration of COVID-19 related audits for 2020–21
26 July 2020	21 August 2020	The Hon Mark Butler QC MP	Integrity of the Supporting Reliable Energy Infrastructure program	Consider as a potential audit topic as part of consideration of COVID-19 related audits for 2020–21 ^(a)
28 July 2020	19 August 2020	The Hon Catherine King MP	Regional Airlines Funding Assistance program	Consider as part of the COVID-19 audit strategy for audits during 2020–21
5 August 2020	31 August 2020	Mr Stephen Jones MP Shadow Minister for Financial Services and Shadow Assistant Treasurer	Scheme for early release of superannuation	Do not propose an audit in 2020–21, but will reconsider a potential audit topic in the development of the <i>Annual Audit Work Program 2021–22</i>
24 August 2020	9 September 2020	Ms Zali Steggall OAM, MP	Major projects under the <i>Environment Protection and Biodiversity Conservation Act 1999</i>	Do not propose to commence an audit into the decisions and processes supporting the selection of major projects at this time
18 September 2020	6 October 2020	Senator Murray Watt	Announcement of \$23 million in Commonwealth government funding for the Victoria Park stadium in Rockhampton	Do not propose to include in the <i>Annual Audit Work Program 2020–21</i> , but will consider an audit in planning for future audit programs to follow up on the relevant department's implementation of recommendations in the 2018 audit as well as decisions taken by the government to fund the program out to 2025–26

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
16 November 2020	11 December 2020, 19 March 2021	The Hon Richard Marles MP	Transparency of increases in costs of the Future Submarine and Future Frigate programs	Initial response on 11 December noted the ANAO would make further inquiries. Following the inquiries, a follow-up response on 19 March noted a proposed audit topic is included in the draft <i>Annual Audit Work Program 2021–22</i> , available for comment from the Parliament, entities and the public ^(b)
14 December 2020	5 January 2021	Ms Kristy McBain MP	Tender process seeking leased office accommodation for the Department of Defence	Consider including an audit of Defence's recent procurement activities in the context of developing the <i>Annual Audit Work Program 2021–22</i>
8 December 2020	23 December 2020	The Hon Dr Andrew Leigh MP	JobKeeper Scheme	An audit on this topic included in the <i>Annual Audit Work Program 2020–21</i> ^(c)
14 January 2021	4 February 2021	Senator Sarah Hanson-Young	Approval of the Yeelirrie uranium mine	Do not propose to conduct a further audit to re-examine the processes in place by the department for the approval of actions at the time the Yeelirrie uranium mine was approved
2 March 2021	26 March 2021	The Hon Dr Andrew Leigh MP	JobKeeper Scheme — matters raised in media article	The matters raised in the media article referred may be considered in the audit, to the extent that they are consistent with planned audit procedures and methodologies, or for informing processes for identifying material risks to the Australian Taxation Office's administration of the scheme ^(d)

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
11 February 2021	10 March 2021	Senator the Hon Kristina Keneally	Safer Communities Fund and the awarding of discretionary grants from the proceeds of crime	Consider including an audit on this topic in the context of developing the <i>Annual Audit Work Program 2021–22</i> ^(e)
22 March 2021	5 May 2021 ^(f)	Senator Gerard Rennick	Australia's Gold Reserves	The ANAO performs an annual financial statements audit of the Reserve Bank Australia (RBA) which includes procedures over the RBA's gold holdings in accordance with ANAO's Auditing Standards. Australia's gold holdings are held at the Bank of England. The ANAO will continue to annually review its audit procedures for the RBA to ensure they are appropriate
16 April 2021	13 May 2021	Senator Janet Rice	Commonwealth actions under the Regional Forest Agreements	Consider including as a potential audit topic in the <i>Annual Audit Work Program 2021–22</i> ^(g)
20 April 2021	14 May 2021	The Hon Julie Collins MP	Agriculture, Water and the Environment portfolio grants administration	Consider including as a potential audit topic in the <i>Annual Audit Work Program 2021–22</i>
21 April 2021	17 May 2021	Senator Sarah Hanson-Young	Broadcasting of women's sport	Consider including as a potential audit topic in the <i>Annual Audit Work Program 2021–22</i> ^(h)

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
10 May 2021	7 June 2021	Senator Sarah Hanson-Young	Western Sydney Airport offsets	Given ANAO's recent consideration of environmental offsets in the audit Auditor-General Report No.47 of 2019–20, <i>Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999</i> do not propose to conduct an audit in relation to the federal government's spending on offsets for the Western Sydney Airport. Consider including an audit of the Commonwealth's purchase of environmental offsets more broadly in the context of developing the <i>Annual Audit Work Program 2021–22</i>
19 May 2021	16 June 2021	Senator Malcolm Roberts	Administration of Natural Disaster Relief and Recovery Arrangements programs and funding	Consider including as a potential audit topic in the <i>Annual Audit Work Program 2021–22</i>
21 May 2021	17 June 2021	The Hon Mark Dreyfus QC, MP	Remuneration of part-time members of the Administrative Appeals Tribunal (AAT)	In the course of the 2020–21 financial statements audit of the AAT additional measures will be taken in relation to the matters referred
27 May 2021	22 June 2021	Mr Jason Falinski MP	Department of Defence building project — Cook and Tiroas Barracks, Vanuatu	Consider including as a potential audit topic in the 2022–23 annual audit work program

Date of request	Date of response	Requestor	Audit request relating to	Response provided to request
7 June 2021	1 July 2021	The Hon Brendan O'Connor MP and Mr Tim Watts MP	The use of provisional ICT accreditation within Defence	An audit of Defence's management of ICT certification and accreditation not included in the ANAO's <i>Annual Audit Work Program 2021–22</i> , on the basis that Provisional ICT Accreditation is a documented process in the Defence Security Principles Framework. Consider including such an audit in the <i>Annual Audit Work Program 2022–23</i>

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

- (a) An assurance review of the Award of Funding under the Supporting Reliable Infrastructure Program commenced and tabled in March 2021.
- (b) An audit of the Department of Defence's Management of the Integrated Investment Program commenced and is due to table in April 2022.
- (c) An audit of the Administration of the JobKeeper Scheme commenced and is due to table in October 2021.
- (d) An audit of the Administration of the JobKeeper Scheme commenced and is due to table in October 2021.
- (e) An audit of the Award of Funding under the Safer Communities Fund has commenced and is due to table in February 2022.
- (f) The response was provided later than 28 days from receipt of correspondence.
- (g) An audit on the topic Regional Forest Agreements is included in the 2021–22 annual audit work program.
- (h) An audit on the topic Management of Fox Sports Grant Funding is included in the 2021–22 annual audit work program.

Report on financial performance

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

Overview of financial performance and future financial viability

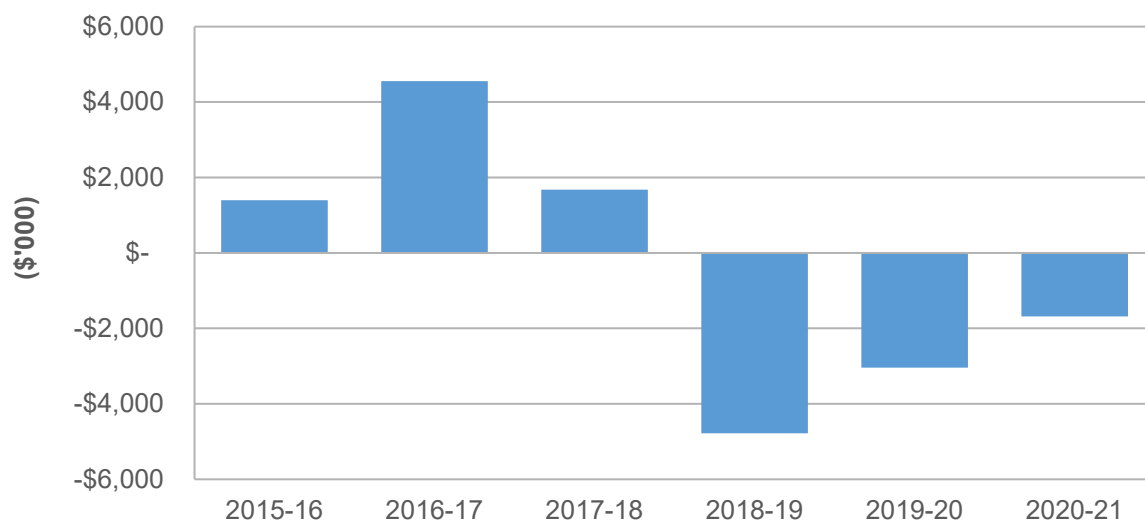
The ANAO reported a total comprehensive income loss of \$5.696 million in 2020–21. Excluding the impact of depreciation, the ANAO's result for the 2020–21 financial year was an operating deficit of \$1.833 million (Figure 3.1).

For some time ongoing savings measures and efficiency dividends have eroded the ANAO's funding base. The ANAO's budget submission to the JCPAA for the 2020–21 financial year reflected that any further savings measures applied to the ANAO that reduced the funding base would impact on our ability to deliver the planned audit program, in particular the performance audit program. The ANAO has undertaken multiple efficiency and savings exercises to reduce operating costs; however, operating losses incurred annually by the ANAO since 2018–19 demonstrate the inability for efficiency measures to keep pace with saving requirements and ongoing cost increases.

The ANAO sought approval from the Minister for Finance for an operating loss of \$3.924 million (excluding depreciation and amortisation expenses) for 2020–21 by virtue of accessing the prior-year unspent appropriations to meet resourcing pressures, which was approved by the minister on 20 April 2021. The projected loss was due to increased contract-out audit costs related to auditing COVID-19 measures, additional valuation experts required for complex financial instruments and valuations/impairment in several Corporate Commonwealth entities, and additional contract-in staff to enable completion of mandatory financial statement audits, and other cost pressures associated with the ANAO's annual audit work program. The ANAO continued its investment in data analytics and information technology (IT) to ensure the ANAO complies with government requirements and provides a secure, responsive and contemporary IT capability, further enhancing cyber resilience and data analytics capability.

The actual operating loss of \$1.833 million (excluding depreciation and amortisation expenses) was lower than the approved operating loss primarily due to staffing reductions across performance audit and corporate functions and a reduction to the ANAO's employee benefits provisions.

Figure 3.1: Operating result, excluding depreciation and amortisation, 2015–16 to 2020–21



The ANAO has been provided with an increase to departmental appropriation funding over four years from 2021–22 totalling \$61.538 million. This funding was provided to:

- support delivery of the ANAO's mandatory financial statements audit program;
- re-build resources to return the ANAO to 48 performance audits by 2024–25;
- meet ongoing quality, data analysis, evidence extraction and data storage requirements; and
- deliver a staged program of mandatory performance statements audits.

In delivering our work to the Parliament, it is critical that the ANAO remains responsive to technology and data changes, specifically in analysing how government is using technological advances to support program implementation and manage risk. Equally, building our capability in data analytics will enable the ANAO to better use data to strengthen audit outcomes and present data in a more accessible way to the Parliament. Over the next four years, the ANAO will continue to make technology investments that improve and support flexible working patterns and support collaboration between staff and audit entities. We will also, investigate and implement tools that support enhanced data analytics, modelling and automation, and enhance the ANAO's security environment while maintaining strong organisational cyber security resilience.

The ANAO will continue to embed a culture of professionalism and quality, retaining a strong cohort of leaders who can effectively respond to current and emerging challenges. We will continue to build capability in the areas of data analytics, cyber security, digital communication, and risk identification and management. Over the next four years, the ANAO will focus on enhancing our workforce through: developing a strategic recruitment strategy; designing and implementing a tailored approach to workforce planning; redesigning and expanding the ANAO graduate program; leveraging initiatives of the Australian Public Service Commission to improve capability and develop our people as high-performing APS employees; and a focus on developing an integrated approach to learning and development with an aim to build both technical and non-technical skills required of our people. Supplementation provided in the 2021–22 budget will enable recruitment and investment. The challenge of recruiting and training the staff to deliver the audit program for future years is, however, a great one — particularly after the reductions made to meet the previously reducing budget.

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

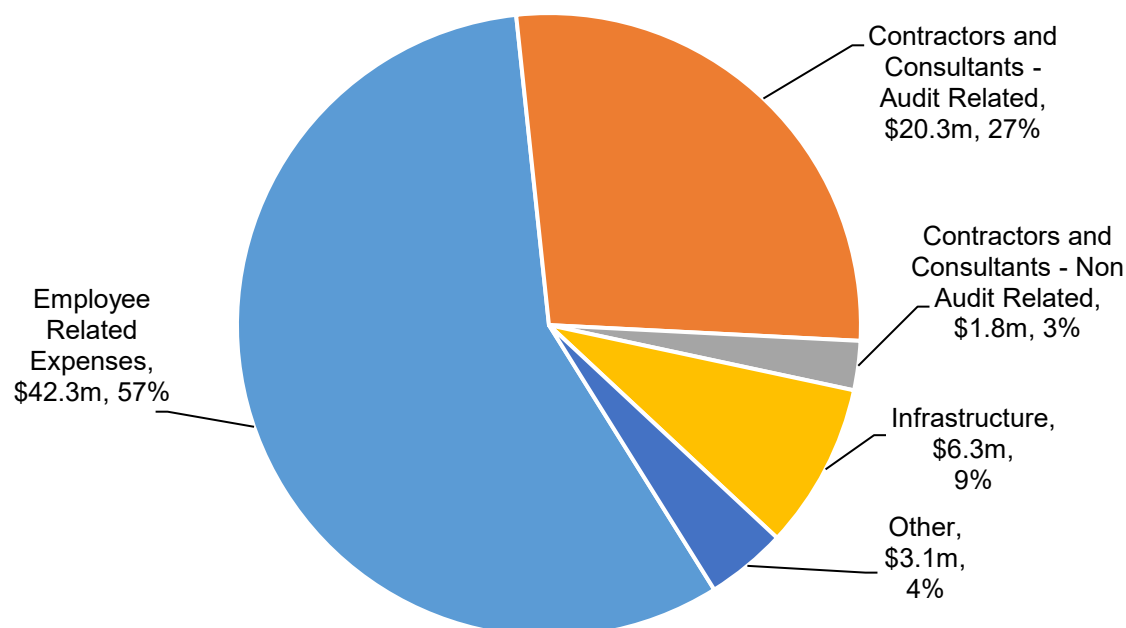
Expense impacts

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

Where required, the ANAO also engages contractors and consultants, such as valuers and actuaries, to provide expertise required to complete the audit program. In 2020–21 contractors and consultants for non-audit services were engaged to fill key resourcing gaps and provide the ANAO with the right technical expertise to deliver its IT projects to enhance cyber security through technology and capability.

The ANAO's total expenses for 2020–21 were \$74.556 million excluding depreciation and amortisation expenses (Figure 3.2).

Figure 3.2: Expenses by type, 2020–21



Financial position

The ANAO's overall financial position continued to remain sound in 2020–21 (Table 3.8).

- total assets reduced as at 30 June 2021 to \$69.945 million; and
- total liabilities increased to \$51.292 million.

The majority of the ANAO's assets are financial assets, with the largest balance being appropriation receivable (\$22.820 million). The ANAO's appropriation receivable has reduced by \$0.951 million since 2019–20, reflecting the use of the accumulated reserves to fund IT cyber security and data analytics capability and the ANAO's operating loss.

The majority of the ANAO's liabilities are comprised of employee provisions (\$12.092 million) and payables (\$4.378 million). The ANAO's employee provisions have decreased by \$0.604 million in 2020–21, due to initial application of the Long Service Leave Shorthand method provided by the Department of Finance and the impact of the bond rate adjustment.

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

Table 3.8: Summary of financial performance, 2020–21 and 2019–20

	2020–21 (\$'000)	2019–20 (\$'000)	Variance (\$'000)	Variance (%)
Statement of comprehensive income				
Total own-source revenue	4,295	4,879	(584)	(11.97)
Total revenue from government	68,583	69,236	(653)	(0.94)
Total expenses	78,574	79,663	1,089	1.37
Net surplus/(deficit)	(5,696) ^(a)	(5,548)	(148)	(2.67)
Statement of financial position				
Total assets	69,945	73,221	(3,276)	(4.0)
Total liabilities	51,292	50,942	(350)	(1.0)
Net assets	18,653	22,279	(3,626)	(16)
Equity	18,653	22,279	(3,626)	(16)

Note (a): The ANAO's operating result was a deficit of \$1.833 million in 2020–21, excluding depreciation and amortisation.

Revenue impacts

Government revenue from departmental and special appropriations decreased between 2019–20 and 2020–21 by \$0.653 million to \$68.583 million.

Own-source revenue in 2020–21 was \$4.295 million, \$0.584 million less than the own-source revenue earned in 2019–20. The decrease in own-source revenue was primarily due international development funding being reduced in response to the temporary suspension of a number of activities by the Department of Foreign Affairs and Trade in response to the COVID-19 pandemic, and a reduction in Section 20 audits by arrangement revenue compared with 2019–20. This was offset by an increase in other services revenue due to additional secondment revenue and payments received following the storm damage in January 2020.

Entity resource statement

The entity resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Appendix B details the resources available to the ANAO during 2020–21 and sets out the ANAO's summary of total expenses for Outcome 1.

Financial statements

Independent Auditor's Report	51
Statement by the Auditor-General and the Chief Finance Officer	53
Statement of Comprehensive Income	54
Statement of Financial Position	55
Statement of Changes to Equity	56
Cash Flow Statement	57
Administered Schedule of Comprehensive Income	58
Administered Reconciliation Schedule	59
Overview	60
Note 1: Budget Variances	62
Note 2: People and Relationships	64
<i>Note 2.1: Employee Benefits and Provisions</i>	64
<i>Note 2.2: Key Management Personnel</i>	65
<i>Note 2.3: Remuneration Paid to Senior Executives</i>	69
<i>Note 2.4: Remuneration Paid to Highly Paid Staff</i>	71
<i>Note 2.5: Related Party Disclosures</i>	71
Note 3: Funding	72
<i>Note 3.1: Annual Appropriations</i>	72
<i>Note 3.2: Special Accounts</i>	73
<i>Note 3.3: Net Cash Appropriation Arrangements</i>	73
Note 4: Financial Performance	74
<i>Note 4.1: Expenses</i>	74
<i>Note 4.2: Own-source Income</i>	75
<i>Note 4.3: Accounting Policy</i>	75
Note 5: Financial Position	76
<i>Note 5.1: Financial Assets</i>	76
<i>Note 5.2: Non-Financial Assets</i>	77
<i>Note 5.3: Liabilities</i>	79
<i>Note 5.4: Interest Bearing Liabilities</i>	79
Note 6: Other Information	80
<i>Note 6.1: Current/Non-Current Distinction for Assets and Liabilities</i>	80
<i>Note 6.2: Remuneration of Auditors</i>	81

Independent Auditor's Report

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

Opinion

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

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Australian National Audit Office as at 30 June 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and Australian Accounting Standards – Reduced Disclosure Requirements including the Australian Accounting Interpretations.

The financial statements comprise:

- Statement of financial position as at 30 June 2021;
- Statement of comprehensive income for the year then ended;
- Statement of changes to equity for the year then ended;
- Cash flow statement for the year then ended;
- Administered schedule of comprehensive income for the year then ended;
- Administered schedule of assets and liabilities as at the year then ended;
- Administered reconciliation schedule as at the year then ended;
- Administered cash flow statement for the year then ended;
- Notes to the financial statements, which include a summary of significant accounting policies; and
- Statement by the Auditor-General and the Chief Financial Officer.

Basis for opinion

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

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

I am independent of the Australian National Audit Office in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial statements in Australia. I have fulfilled my other ethical responsibilities in accordance with the Code.

Responsibilities of the Auditor-General for the financial statements

The Auditor-General is responsible for:

- the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability Act 2013*;
- implementing necessary internal control to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Australian National Audit Office's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Australian National Audit Office or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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




Eileen Hoggett
Independent Auditor

Sydney
13 August 2021


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

In our opinion, the attached financial statements for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Australian National Audit Office will be able to pay its debts as and when they fall due.


Signed.....

Grant Hehir
Auditor-General
13 August 2021


Signed.....

Geraldine Quinane
Chief Finance Officer
13 August 2021

Australian National Audit Office
Statement of Comprehensive Income
for the year ended 30 June 2021

		2021	2020	2021 Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES				
EXPENSES				
Employee benefits	2.1A	42,348	44,262	42,585
Suppliers	4.1A	31,708	32,434	29,525
Depreciation and amortisation	5.2A	4,010	2,508	3,864
Finance costs		500	250	497
Write-down and impairment of assets	5.2A	8	209	-
Total expenses		78,574	79,663	76,471
OWN-SOURCE INCOME				
Own-source revenue				
Audit Services		2,440	3,151	2,800
Rendering of other services		677	241	-
International development funding		581	1,487	1,300
Other income		597	-	-
Total own-source revenue	4.2A	4,295	4,879	4,100
Net cost of services		74,279	74,784	72,371
REVENUE FROM GOVERNMENT				
Departmental annual appropriations		67,879	68,540	67,879
Departmental special appropriations		704	696	778
Total Revenue from Government	4.3A	68,583	69,236	68,657
Deficit on continuing operations		(5,696)	(5,548)	(3,714)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		560	-	-
Total other comprehensive income		560	-	-
Total comprehensive loss		(5,136)	(5,548)	(3,714)

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

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

Australian National Audit Office
Statement of Financial Position
as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000	2021 Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	5.1A	740	629	629
Trade and other receivables	5.1B	24,675	25,389	25,389
Total financial assets		25,415	26,018	26,018
Non-financial assets				
Leasehold improvements ¹	5.2A	40,213	42,724	39,626
Plant and equipment	5.2A	2,877	3,234	2,957
Intangibles	5.2A	626	929	1,393
Prepayments		814	316	316
Total non-financial assets		44,530	47,203	44,292
Total assets		69,945	73,221	70,310
LIABILITIES				
Payables				
Suppliers	5.3A	3,348	2,399	2,399
Accrued salaries and other payables		1,030	1,207	1,207
Total payables		4,378	3,606	3,606
Interest bearing liabilities				
Leases	5.4A	34,822	34,640	34,490
Total interest bearing liabilities		34,822	34,640	34,490
Provisions				
Employee provisions	2.1B	12,092	12,696	12,696
Total provisions		12,092	12,696	12,696
Total liabilities		51,292	50,942	50,792
Net assets		18,653	22,279	19,518
EQUITY				
Contributed equity		16,992	15,482	16,434
Reserves		1,124	564	564
Retained surplus		537	6,233	2,520
Total Equity		18,653	22,279	19,518

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

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

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

Australian National Audit Office
Statement of Changes to Equity
for the year ended 30 June 2021

Notes	Retained surplus		Asset revaluation reserve			Contributed equity			Total equity	
	2021 \$'000	2020 \$'000	2021 Original Budget \$'000	2020 \$'000	2021 Original Budget \$'000	2021 \$'000	2020 \$'000	2021 Original Budget \$'000	2021 \$'000	2020 \$'000
Opening balance as at 1 July 2020	6,233	11,309	6,234	564	564	15,482	14,676	15,481	22,279	26,549
Adjustment on initial application of AASB 16	-	472	-	-	-	-	-	-	-	472
Adjusted opening balance	6,233	11,781	6,234	564	564	15,482	14,676	15,481	22,279	27,021
Comprehensive income										
Deficit for the year	(5,696)	(5,548)	(3,714)	-	-	-	-	-	(5,696)	(5,548)
Other comprehensive income	-	-	-	560	-	-	-	-	560	-
Total comprehensive income	(5,696)	(5,548)	(3,714)	560	-	-	-	-	(5,136)	(5,548)
Transactions with owners										
Contributions by owners										
Return of appropriations	-	-	-	-	-	-	(157)	-	-	(157)
Departmental capital budget	3.1A	-	-	-	-	1,510	963	953	1,510	963
Total transactions with owners	-	-	-	-	-	1,510	806	953	1,510	806
Closing balance as at 30 June 2021	537	6,233	2,520	1,124	564	16,992	15,482	16,434	18,653	22,279

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

Australian National Audit Office
Cash Flow Statement
for the year ended 30 June 2021

	2021 \$'000	2020 \$'000	2021 Original Budget \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for operating activities	77,640	91,334	68,657
Rendering of services	3,629	5,834	4,100
Net GST received	3,200	3,406	-
Total cash received	84,469	100,574	72,757
Cash used			
Employees	43,013	43,100	42,585
Suppliers	34,142	36,814	29,525
Receipts transferred to OPA	6,872	9,644	-
Interest payments on lease liabilities	184	106	497
Total cash used	84,211	89,664	72,607
Net cash from operating activities	258	10,910	150
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements	-	8,095	-
Purchase of plant and equipment	234	2,730	323
Purchase of intangibles	41	933	630
Total cash used	275	11,758	953
Net cash from investing activities	(275)	(11,758)	(953)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	275	963	953
Total cash received	275	963	953
Cash used			
Principal payments of leases liabilities	147	77	150
Total cash used	147	77	150
Net cash from financing activities	128	886	803
Net increase in cash held	111	38	-
Cash and cash equivalents at the beginning of the reporting period	629	591	629
Cash and cash equivalents at the end of the reporting period¹	740	629	629

¹ As shown in the Statement of Financial Position.

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

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

Australian National Audit Office

Administered Schedule of Comprehensive Income

for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000	2021 Original Budget \$'000
INCOME				
Non-taxation revenue				
Rendering of audit services		14,691	14,857	12,300
Total income administered on behalf of Government¹		14,691	14,857	12,300

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

Administered Schedule of Assets and Liabilities

as at 30 June 2021

	Notes	2021 \$'000	2020 \$'000	2021 Original Budget \$'000
ASSETS				
Financial Assets				
Cash and cash equivalents		247	154	154
Trade and other receivables	5.1C	8,380	6,112	6,112
Total financial assets		8,627	6,266	6,266
Total assets administered on behalf of Government		8,627	6,266	6,266
LIABILITIES				
Payables				
GST payable		553	437	437
Total payables		553	437	437
Total liabilities administered on behalf of government		553	437	437
Net assets		8,074	5,829	5,829

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

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

Australian National Audit Office			
Administered Reconciliation Schedule			
as at 30 June 2021			
	Notes	2021 \$'000	2020 \$'000
Opening assets less liabilities as at 1 July 2020		5,829	5,745
Net contribution by services			
Income		14,691	14,857
Transfers to the Australian Government			
Transfers to the Official Public Account		(12,446)	(14,773)
Closing assets less liabilities as at 30 June 2021		8,074	5,829
The above schedule should be read in conjunction with the accompanying notes.			
Administered Cash Flow Statement			
for the period ended 30 June 2021			
	Notes	2021 \$'000	2020 \$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of audit services		13,781	15,179
Total cash received		13,781	15,179
Cash used			
GST paid		1,242	1,380
Total cash used		1,242	1,380
Net cash from operating activities		12,539	13,799
Net increase in cash held		12,539	13,799
Cash and cash equivalents at the beginning of period		154	1,128
Cash to the Official Public Account for:			
- Appropriations		12,446	14,773
Cash and cash equivalents at the end of the reporting period¹		247	154
¹ As shown in the Administered Schedule of Assets and Liabilities.			
This schedule should be read in conjunction with the accompanying notes.			

Australian National Audit Office

Overview

Objectives of the Entity

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

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

Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013*.

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 (FRR)*; and
- b) Australian Accounting Standards and Interpretations – Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

COVID-19 Impacts

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

Significant Accounting Judgements and Estimates

The ANAO has made assumptions or estimates in the following areas that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of property, plant and equipment is assessed at market value or current replacement costs as determined by an independent valuer and is subject to management assessment in between formal valuations; and
- Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

No other accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next twelve months.

Australian National Audit Office

Overview (continued)

Taxation

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

Reporting of Administered Activities

The ANAO charges an audit fee for the financial statement audits of Corporate Commonwealth entities, companies and their subsidiaries subject to the *Public Governance, Performance and Accountability Act 2013*. These fees are based on a scale determined by the Auditor-General under section 14 of the *Auditor-General Act 1997*, calculated on the basis of a cost attribution model. Revenues from these audit fees are paid into the Official Public Account and are not available to the ANAO. The revenue and receipts associated with conducting these audits are treated as administered activities within the financial statements.

Accounting policy - administered financial instruments

The net fair value of the financial assets approximates their carrying amounts. The ANAO derived no interest income from financial assets in either the current or prior year.

New Australian Accounting Standards

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

Overview (continued)

Events After the Reporting Period

Departmental

No events have occurred after the reporting date that should be brought to account or noted in the 2020-21 financial statements.

Administered

No events have occurred after the reporting date that should be brought to account or noted in the 2020-21 financial statements.

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

Note 1: Budget Variances

Note 1.1A: Explanations of Major Variances

The following tables provide high level commentary of major variances between budgeted information for the ANAO published in the Prime Minister and Cabinet's 2020-21 Portfolio Budget Statements (PBS) and the 2020-21 final outcome as presented in accordance with Australian Accounting Standards for the ANAO. The Budget is not audited. Major variances are reported on the basis of professional judgment and are not focussed merely on numerical differences between the budget and actual amounts.

Explanations of major variances	Variance to Budget		Affected line items
	\$'000	%	
Departmental Items			
This variance relates to additional contract-out audit costs due to increased effort in auditing especially in relation to auditing COVID-19 measures, as well as the need for additional valuation experts for complex financial instruments and valuations/impairment in several Corporate Commonwealth entities. The need for additional contract-in staff to enable the completion of mandatory financial statements audits has also impacted this variance.	2,183	7%	Statement of Comprehensive Income, <i>Suppliers</i>
	4,617	16%	Statement of Cashflow, <i>Suppliers</i>
International development funding reduced in response to the temporary suspension of a number of activities by the Department of Foreign Affairs and Trade in response to the COVID-19 pandemic. The funding agreement was amended after the publication of Portfolio Budget Statements. This was more than offset by an increase in other revenue received, including secondment revenue, parking revenue and payments received following the storm damage in January 2020.	195	5%	Statement of Comprehensive Income, <i>Own Source Revenue</i>
The ANAO had an approved operating loss of \$3.924m for 2020-21 (excluding depreciation and amortisation expenses), due to increased contract out audit costs related to auditing COVID-19 measures, additional valuation experts required for complex financial instruments and valuations/impairment in several Corporate Commonwealth entities, and additional contract-in staff to enable completion of mandatory financial statement audits. The ANAO continued its investment in technology and capability to enhance cyber resilience, and incurred other operating expenses associated with the completion of the ANAO's annual audit work program. The actual operating loss was lower than expected due to a reduction to employee provisions on initial application of the Long Service Leave Shorthand method provided by the Department of Finance, and higher than expected attrition across performance audit and corporate functions.	1,982	-53%	Statement of Comprehensive Income, <i>Deficit on continuing operations</i>
	(1,983)	-79%	Statement of Financial Position, <i>Retained Surplus</i>
On 30 June 2021, the ANAO conducted an asset valuation. The majority of the increase relates to leasehold improvements.	560	99%	Statement of Changes in Equity, <i>Asset Revaluation Reserve</i>

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

<i>Departmental Items (continued)</i>			
The ANAO did not spend most of its Departmental Capital Budget (DCB) as it planned to reclassify \$0.753 million of DCB to operating funding for the 2020-21 financial year, however the reclassification did not occur.	(767)	-55%	Statement of Financial Position, <i>Intangibles</i>
	275	-71%	Statement of Cashflow, <i>Contributed Equity</i>
Consistent with the ANAO's IT cloud strategy, the ANAO is continuing to utilise more Software as a Subscription (SaaS) services for its IT applications, with annual subscription fees recognised as prepayments.	498	158%	Statement of Financial Position, <i>Prepayments</i>
Salary accrual for 2020-21 was lower than 2019-20 due to timing issues with pay periods and monies payable to other Government entities for staff transfers.	(177)	-15%	Statement of Financial Position, <i>Accrued Salaries & other payables</i>
Employee provisions decreased due to a change in the bond rate and the initial application of the Long Service Leave Shorthand method provided by the Department of Finance.	(604)	-5%	Statement of Financial Position, <i>Employee Provisions</i>
<i>Administered Items</i>			
Higher than budgeted revenue received relates to the recovery of additional audit costs due to increased effort in auditing especially in relation to auditing COVID-19 measures, as well as the need for additional valuation experts for complex financial instruments and valuations/impairment in several Corporate Commonwealth entities.	2,391	19%	Schedule of Comprehensive Income, <i>Rendering of Audit Services</i>

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

Note 2: People and Relationships

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other key people.

Note 2.1: Employee Benefits and Provisions

	2021 \$'000	2020 \$'000
Note 2.1A: Employee Benefits		
Wages and salaries	33,398	33,255
Superannuation		
Defined contribution plans	3,383	3,690
Defined benefit plans	2,271	2,531
Leave entitlements	2,683	4,331
Separation and redundancies	371	106
Other employee expenses	242	349
Total employee benefits	42,348	44,262

Note 2.1B: Employee Provisions

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

Accounting Policy

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

Leave:

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

The annual leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, plus the ANAO's employer superannuation contribution rates and applicable on-costs, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The liability for long service leave has been determined using the long service leave shorthand model issued by the Department of Finance (2020: Actuary). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and enterprise agreements, which is unchanged from prior years.

Separation and Redundancy:

Separation and Redundancy Provision is made for separation and redundancy benefit payments. The ANAO recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation:

The ANAO's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), PSS accumulation plan (PSSap) or other eligible, elected defined contribution schemes. The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

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

The ANAO makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government, and accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2021 represents outstanding contributions.

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

Note 2.2: Key Management Personnel

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the ANAO, directly or indirectly. The ANAO has determined the key management personnel to be the members of the Executive Board of Management.

Members of the Executive Board of Management were as follows:

Officer	Position	Term as KMP – 2020-21	Term as KMP – 2019-20
Grant Hehir	Auditor-General	Full Year	Full Year
Rona Mellor	Deputy Auditor-General	Full Year	Full Year
Jane Meade	Group Executive Director	Full Year	Full Year
Carla Jago	Group Executive Director	Full Year	Full Year
Anastasios Ioannou	Group Executive Director	Full Year	Full Year
Bola Oyetunji	Group Executive Director (Acting)	Full Year	Full Year
Geraldine Quinane	Chief Finance Officer	Full Year	Part Year from 11 May 2020
Lisa Rauter	Group Executive Director	Part year to 23 April 2021	Full Year
Deborah Rollings	Senior Executive Director	Part Year to 10 May 2021	Full Year
Jacqueline Walton	Senior Executive Director	Part Year from 27 April 2021	
Lesa Craswell	Senior Executive Director	Part Year from 12 April 2021	
Andrew Pope	Group Executive Director		Part Year from 1 August 2019 to 27 April 2020
Marina Belmonte	Chief Finance Officer		Part Year to 19 February 2020

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

The following tables are prepared on an accruals basis.

	2021	2020
	\$	\$
<u>Note 2.2A: Key Management Personnel Remuneration</u>		
Short-term benefits:		
Base Salary	2,618,885	2,748,968
Bonus	20,410	45,769
Other benefits and allowances	172,800	189,365
Total short-term benefits	2,812,095	2,984,101
Superannuation	422,571	449,826
Total post-employment benefits	422,571	449,826
Other long-term benefits:		
Long-service leave	80,084	110,036
Total other long-term benefits	80,084	110,036
Termination benefits	37,368	-
Total key management personnel remuneration¹	3,352,118	3,543,963

The above Key Management Personnel (KMP) remuneration includes the remuneration and other benefits of the Auditor-General. The Auditor-General's remuneration and other benefits are set by the Remuneration Tribunal and paid from Special Appropriation – Salary of the Auditor-General. Other KMP salaries expenses are paid from ordinary departmental appropriation.

1. The 2019-20 Key Management Personnel Remuneration has been restated to reflect the Auditor-General's superannuation in accordance with *Remuneration Tribunal (Specified Statutory Offices—Remuneration and Allowances) Determination 2019*.

Notes:

- a. The remuneration totals (on a pro rata basis) for KMP include those staff who ceased in those roles as well as their replacements. All appointments to the Executive Board of Management including any acting arrangements greater than four weeks are captured in this note.
- b. Members of the Executive Board of Management, apart from the Auditor-General, are employed in accordance with the *Public Service Act 1999*.

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

Note 2.2B: 2020-21 Key Management Personnel Remuneration Table

Name	Position title	Short-term benefits			Post-employment benefits	Other long-term benefits			Termination Benefits	Total Remuneration
		Base salary	Bonuses	Other benefits and allowances		Superannuation contributions	Long service leave	Other long-term benefits		
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Grant Hehir	Auditor-General	664,624	-	-	80,657	19,291	-	-	-	764,572
Rona Mellor	Deputy Auditor-General	399,696	-	-	70,829	11,246	-	-	-	481,771
Lisa Rauter	Group Executive Director	222,620	7,925	21,631	40,114	6,988	-	-	-	299,277
Anastasios Ioannou	Group Executive Director	241,022	-	25,917	45,234	7,063	-	-	-	319,237
Carla Jago	Group Executive Director	248,403	-	25,917	47,038	8,035	-	-	-	329,392
Jane Meade	Group Executive Director	243,348	-	25,917	38,340	7,925	-	-	-	315,530
Bola Oyetunji	Group Executive Director (Acting)	218,321	12,485	39,872	32,044	7,292	-	-	-	310,015
Deborah Rollings	Senior Executive Director	170,499	-	21,853	34,756	6,431	-	37,368	-	270,907
Jacqueline Walton	Senior Executive Director	36,926	-	4,026	7,396	1,019	-	-	-	49,367
Lesia Craswell	Senior Executive Director (Acting)	35,292	-	7,668	6,056	958	-	-	-	49,973
Geraldine Quinane	Chief Finance Officer	138,134	-	-	20,108	3,835	-	-	-	162,077
Total ¹		2,618,885	20,410	172,800	422,571	80,084	-	37,368	-	3,352,118

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

1. The 2020-21 long service leave expenses reported are lower than in 2019-20 due to the initial application of the Long Service Leave shorthand method provided by the Department of Finance.

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

Note 2.2C: 2019-20 Key Management Personnel Remuneration Table

Name	Position title	Short-term benefits			Post-employment benefits		Other long-term benefits		Termination Benefits	Total Remuneration
		Base salary	Bonuses	Other benefits and allowances	Superannuation contributions	Long service leave	Other long-term benefits			
								\$		
Grant Hehir	Auditor-General	663,368	-	-	80,657	21,618	-	-	-	765,643
Rona Mellor	Deputy Auditor-General	392,839	-	-	68,098	27,017	-	-	-	487,955
Lisa Rauter	Group Executive Director	271,215	21,134	25,917	48,990	14,401	-	-	-	381,657
Anastasios Ioannou	Group Executive Director	224,029	-	25,917	44,878	10,044	-	-	-	304,868
Carla Jago	Group Executive Director	257,132	-	25,917	46,884	14,661	-	-	-	344,593
Jane Meade	Group Executive Director	243,587	7,469	25,917	38,080	2,272	-	-	-	317,324
Andrew Pope	Group Executive Director	156,395	-	20,905	32,534	4,359	-	-	-	214,192
Bola Oyeturunji	Senior Executive Director	218,934	6,242	39,872	32,044	3,241	-	-	-	300,333
Deborah Rollings	Senior Executive Director	210,399	10,924	24,920	40,610	7,184	-	-	-	294,037
Marina Belmonte	Chief Finance Officer	94,473	-	-	14,937	1,969	-	-	-	111,379
Geraldine Quinane	Chief Finance Officer (Acting)	16,597	-	-	2,114	3,271	-	-	-	21,982
Total¹		2,748,968	45,769	189,365	449,826	110,037	-	-	-	3,543,963

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

1. The 2019-20 Key Management Personnel Remuneration has been restated to reflect the Auditor-General's superannuation entitlement in accordance with *Remuneration Tribunal (Specified Statutory Offices—Remuneration and Allowances) Determination 2019*.

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

Note 2.3: Remuneration Paid to Senior Executives

Note 2.3A: Senior Executive Remuneration

2020-21

Remuneration Band	Number of Senior Executives	Short-term benefits		Post-employment benefits		Other long-term benefits		Termination Benefits	Total Remuneration
		Average Base salary	Average Bonuses	Average Other benefits and allowances	Average Superannuation contributions	Average Long service leave	Average Other long-term benefits		
		\$	\$	\$	\$	\$	\$	\$	\$
\$230,000 or less	11	121,747	1,370	20,446	21,738	424	-	-	165,725
\$230,001 to \$255,000	6	176,709	1,693	24,781	31,060	5,704	-	-	239,947
\$255,001 to \$280,000	2	186,563	2,981	28,381	35,103	5,937	-	-	258,965
\$280,001 to \$305,000	3	208,787	3,166	32,396	39,962	6,308	-	-	290,619

Notes:

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

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

2019-20¹

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

1. The 2020-21 long service leave expenses reported are lower than in 2019-20 due to the initial application of the Long Service Leave shorthand method provided by the Department of Finance.

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

Note 2.4: Remuneration Paid to Highly Paid Staff

The ANAO identified no other Highly Paid Staff for the reporting period (2020: Nil).

Note 2.5: Related Party Disclosures

Related party relationships:

The ANAO is an Australian Government controlled entity. Related parties to the ANAO are:

- Key Management Personnel of the ANAO, their close family members, and entities controlled or jointly controlled by either;
- Cabinet Ministers;
- Key Management Personnel for the consolidated whole of Government accounts; and
- all other Australian Government entities.

Transactions with related parties:

Significant transactions with related parties can include:

- purchases of goods and services;
- asset purchases, sales transfers or leases; and
- debts forgiven.

Giving consideration to relationships with related entities, and transactions entered into during the reporting period by the ANAO, it has been determined that there are no related party transactions to be disclosed other than KMP remuneration disclosed in Note 2.2.

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

Note 3: Funding

This section identifies the ANAO's funding structure.

Note 3.1: Appropriations

Note 3.1A: Annual Appropriations ('Recoverable GST exclusive')

	2021 \$'000	2020 \$'000
Ordinary annual services	67,879	68,540
Departmental capital budget ³	1,510	963
Receipts retained under PGPA Act - Section 74 ¹	6,600	9,239
Total appropriation	75,989	78,742
Appropriation applied (current and prior years)	76,829	91,153
Variance²	(840)	(12,411)

1. PGPA Act - Section 74 receipts of amounts by non-corporate Commonwealth entities. This amount includes fees charged on a cost recovery basis to conduct audits by arrangement under section 20 of the *Auditor-General Act 1997*.

2. The ANAO recently upgraded its IT infrastructure and technology applications. The ANAO accessed its prior year unspent appropriation reserves to fund these investments.

3. Departmental and administered capital budgets are appropriated through Appropriation Acts (No. 1, 3, 5). They form part of ordinary annual services, and are not separately identified in the Appropriation Acts.

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

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

	2021 \$'000	2020 \$'000
Authority		
Departmental		
<i>Appropriation Act (No. 1) 2019-20</i>	-	24,400
<i>Appropriation Act (No. 1) 2020-21</i>	23,560	-
Total departmental	23,560	24,400

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

	Appropriation Applied 2021 \$'000	Appropriation Applied 2020 \$'000
Authority		
<i>Auditor-General Act 1997, Schedule 1, sections 3 and 7 Unlimited amount for the remuneration of the Auditor-General</i>	704	696
Total special appropriations applied	704	696

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

Note 3.2: Special Accounts

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

For the year ended 30 June 2021 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

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

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

Note 3.3: Net Cash Appropriation Arrangements

	2021 \$'000	2020 \$'000
Total comprehensive loss - as per the Statement of Comprehensive Income	(5,696)	(5,548)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/ or equity injections)	1,605	1,295
Plus: depreciation right-of-use assets	2,405	1,213
Less: lease principal repayments	147	77
Net Cash Operating Deficit	(1,833)	(3,117)

The ANAO is required to prepare this note as:

- it receives appropriations through DCB funding or equity injections to fund asset purchases and replacements; and
- it is a lessee with right-of-use assets and lease liabilities.

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

Note 4: Financial Performance

This section analyses the financial performance of the ANAO for the period ended 30 June 2021.

Note 4.1: Expenses

	2021	2020
	\$'000	\$'000
Note 4.1A: Suppliers		
Goods and services		
Consultants and contractors	22,233	21,262
Information and communication technology	6,002	6,147
Travel	240	529
Professional development	585	849
Professional services	371	462
Staff related expenses	608	621
Recruitment	351	261
Property operating expenses	358	338
Other	523	450
Total goods and services supplied	31,271	30,919
Other suppliers		
Short-term leases	-	1,062
Low value leases	32	37
Workers compensation expenses	405	416
Total other suppliers	437	1,515
Total Suppliers	31,708	32,434

Accounting Policy

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

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

Note 4.2: Own-source Income

Note 4.2A: Accounting Policy

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

Note 4.3: Revenue from Government

Note 4.3A: Accounting Policy

Amounts appropriated for departmental operating activities for the year (adjusted for any formal additions or reductions and less Departmental Capital Budgets) are recognised as Revenue from Government when the ANAO gains control of the appropriation.

Appropriations receivable are recognised at their nominal amounts.

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

Note 5: Financial Position

This section analyses the ANAO's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationship section.

Note 5.1: Financial Assets

Note 5.1A: Cash and Cash equivalents

Accounting Policy

Cash is recognised at its nominal amount. Cash and cash equivalents include cash on hand and deposits in bank accounts.

Note 5.1B: Trade and Other Receivables

	2021 \$'000	2020 \$'000
Trade receivables	831	839
Contract assets	764	479
GST receivable from the Australian Taxation Office	260	300
Appropriation receivable	22,820	23,771
Total trade and other receivables	24,675	25,389

	2021 \$'000	2020 \$'000
Note 5.1C: Trade and Other Receivables - Administered		
Trade receivables	6,073	4,812
Contract assets	2,307	1,300
Total trade and other receivables	8,380	6,112

Credit terms for goods and services were within 30 days (2020: 30 days).

Accounting Policy

Financial assets:

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

Financial Liabilities:

Financial liabilities are measured at amortised cost.

Impairment:

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

As the ANAO's receivables relate to outstanding debts with other Commonwealth entities, no impairment has been recognised for 2020-21 (2019-20: Nil).

Contract assets:

Contract assets relate to costs incurred on audit engagements less interim billings. Contract assets are valued at an amount that is expected to be recovered.

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

Note 5.2: Non-Financial Assets

Note 5.2A Property, Plant and Equipment and Intangibles

Reconciliation of opening and closing balances of property, plant and equipment and intangibles for 2021

	Leasehold Improvements	Plant & equipment	Intangibles - Computer software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2020				
Gross book value	44,242	3,849	5,031	53,122
Accumulated depreciation, amortisation and impairment	(1,518)	(615)	(4,102)	(6,235)
Total as at 1 July 2020	42,724	3,234	929	46,887
Additions - by purchase	-	234	41	275
Revaluations and impairments recognised in other comprehensive income	527	33	-	560
Depreciation and amortisation expense	(645)	(616)	(344)	(1,605)
Depreciation on right-of-use assets	(2,405)	-	-	(2,405)
Write down and impairment of assets	-	(8)	-	(8)
Adjustments on right-of-use assets	12	-	-	12
Total as at 30 June 2021	40,213	2,877	626	43,716
Total as at 30 June 2021 represented by:				
Gross book value	43,831	2,945	3,864	50,640
Accumulated depreciation, amortisation and impairment	(3,618)	(68)	(3,238)	(6,924)
Total	40,213	2,877	626	43,716
Carrying amount of right-of-use assets	30,967	-	-	30,967

Accounting Policy - Property, plant and equipment

Asset recognition:

Purchases of non-financial assets are initially recognised at cost in the Statement of Financial Position, except for purchases costing less than \$4,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Lease Right of Use (ROU) Assets:

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

Revaluations:

Following initial recognition at cost, leasehold improvements and plant and equipment (excluding ROU assets) are carried at fair value (or an amount not materially different from fair value). Carrying amounts are reviewed every year to determine if an independent valuation is required. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed 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 reversed a previous revaluation increment for that class.

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

On 30 June 2021, an independent valuer conducted asset revaluations. When estimating fair value, market prices (with adjustments) were used where available. Where market prices were not available, the cost approach was used.

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

Fair Value:

With the exception of ROU assets which continue to be recognised at cost, all other property, plant and equipment is measured at fair value in the Statement of Financial Position. When estimating fair value, market prices (with adjustment) were used, where available. Where market prices were not available, current replacement cost was used (i.e. level 3). Level 3 measurements use inputs to estimate fair value where there are no observable market prices for the assets being valued.

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

The future economic benefits of the ANAO's plant and equipment and leasehold improvements are not primarily dependent on their ability to generate cash flows. The ANAO has not disclosed quantitative information about the significant unobservable inputs for the level 3 measurements in these classes.

Impairment:

All assets were assessed for impairment at 30 June 2021, and no material impairment was identified.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset.

Derecognition:

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

Depreciation:

Depreciable plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the ANAO, using in all cases, the straight-line method of depreciation. Leasehold improvements are depreciated over the lesser of the estimated useful life of the improvement or the lease term. Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date. Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2021	2020
Leasehold improvements	Lease term	Lease term
Right-of-use assets	Lease term	Lease term
IT Assets	2 to 11 years	2 to 11 years
Office equipment	5 to 30 years	5 to 30 years
Antique furniture	30 to 80 years	30 to 80 years

Accounting Policy - Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the ANAO's software are 3 to 5 years (2020: 3 to 5 years).

Impairment:

All intangible assets were assessed for impairment at 30 June 2021. Where indications of impairment exist, intangibles are measured at their recoverable amount, if that amount is lower than the assets current carrying amount.

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

Note 5.3: Liabilities

	2021	2020
	\$'000	\$'000
Note 5.3A: Suppliers		
Trade creditors and accruals	3,348	2,399
Total supplier payables	3,348	2,399

Accounting Policy

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier payables are settled within 20 days. As at 14 April 2020 payment terms were changed to 7 days from receipt of a correctly rendered invoice to facilitate cash flow for suppliers in response to the COVID-19 pandemic.

Note 5.4: Interest Bearing Liabilities

	2021	2020
	\$'000	\$'000
Note 5.4A: Leases		
Lease liabilities		
Leasehold improvements	34,822	34,640
Total leases	34,822	34,640
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	338	332
Between 1 to 5 years	10,386	7,893
More than 5 years	28,103	30,934
Total leases	38,827	39,159

The ANAO in its capacity as lessee, entered in to a lease contract for a period of 15 years (with one option of 5 years) commencing from 1 January 2020 in relation to 38 Sydney Avenue office premises. The rent is increased on each anniversary of the commencement date including any options by 3.5%, except that on the commencement of each option term the rent will be reviewed to market.

The above lease disclosures should be read in conjunction with the accompanying notes 4.1A and 5.2.

Accounting Policy

For all new contracts entered into, the ANAO considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the department's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

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

Note 6: Other Information

Note 6.1: Current/Non-Current Distinction for Assets and Liabilities

	2021 \$'000	2020 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	740	629
Trade and other receivables	24,675	25,395
Prepayments	814	316
Total no more than 12 months	26,229	26,340
More than 12 months		
Leasehold improvements	40,213	42,721
Plant and equipment	2,877	3,232
Intangibles	626	928
Total more than 12 months	43,716	46,881
Total assets¹	69,945	73,221
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	3,348	2,399
Accrued salaries and other payables	1,030	1,207
Leases	150	325
Employee provisions	3,357	4,194
Total no more than 12 months	7,885	8,125
More than 12 months		
Leases	34,672	34,315
Employee provisions	8,735	8,502
Total more than 12 months	43,407	42,817
Total liabilities	51,292	50,942
	2021 \$'000	2020 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	247	154
Trade and other receivables	8,380	6,112
Total no more than 12 months	8,627	6,266
Total assets	8,627	6,266
Liabilities expected to be settled in:		
GST payable	553	437
Total no more than 12 months	553	437
Total liabilities	553	437

1. Total Assets includes GST payable.

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

Note 6.2: Remuneration of Auditors

	2021	2020
	\$	\$
Fees for services provided		
Financial statement audit services	90,000	90,000
Performance audit services	-	80,000
Performance statement audit services	55,188	55,188
Total	145,188	225,188

Ms. Eileen Hoggett was appointed as Independent Auditor for 5 years from 1 March 2019 under clause 1 of Schedule 2 to the *Auditor-General Act 1997*. Ms. Hoggett is appointed in a personal capacity.

Ms. Hoggett audits the annual performance statement of the ANAO under contract. She performs no other services for the ANAO.

Part 4 — Governance, capability and risk management

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

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

The ANAO achieves good governance through a robust governance framework, directed by a clear governance structure, managed through strong governance practices, and delivered as part of the strategic planning framework. The ANAO realises strategic planning outcomes through a mature approach to risk management and an integrated approach to organisational capability. The ANAO's strong commitment to strategic planning and the ongoing development of capability ensures that we can continue to achieve our purpose. Our investments in capability support the ANAO to uphold public sector principles and values, while building sufficient flexibility and expertise to meet future needs.

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

Governance

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

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

Governance structure

The ANAO's main governance bodies, as at 30 June 2021, are the Executive Board of Management, six subcommittees, four operational committees, and the independent Audit Committee.

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

Executive Board of Management

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

The Executive Board of Management is responsible for supporting the ANAO's strategic direction; overseeing business; identifying strategic and operational risks; managing the ANAO's budget and

workforce; and delivering against the commitments and initiatives outlined in annual business plans. The executive board meets monthly, and terms of reference are reviewed annually. The standing membership is:

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

Table 4.1 shows the members of the Executive Board of Management as at 30 June 2021.

Table 4.1: Membership of the Executive Board of Management, at 30 June 2021

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

Staff are informed about key decisions of the Executive Board of Management through communications from the Auditor-General, which are published on the ANAO intranet after each meeting. Information on the remuneration of key management personnel is available at Note 2.2 of the 2020–21 financial statements.

Subcommittees

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

The business of the ANAO is governed through the following six subcommittees:

- **People and Change Committee** — provides strategic advice to the Executive Board of Management on people and capability development and on managing change in the ANAO.
- **Quality Committee** — provides assurance and assistance to the Executive Board of Management on the ANAO's quality framework and the strategic and operational risks associated with quality.

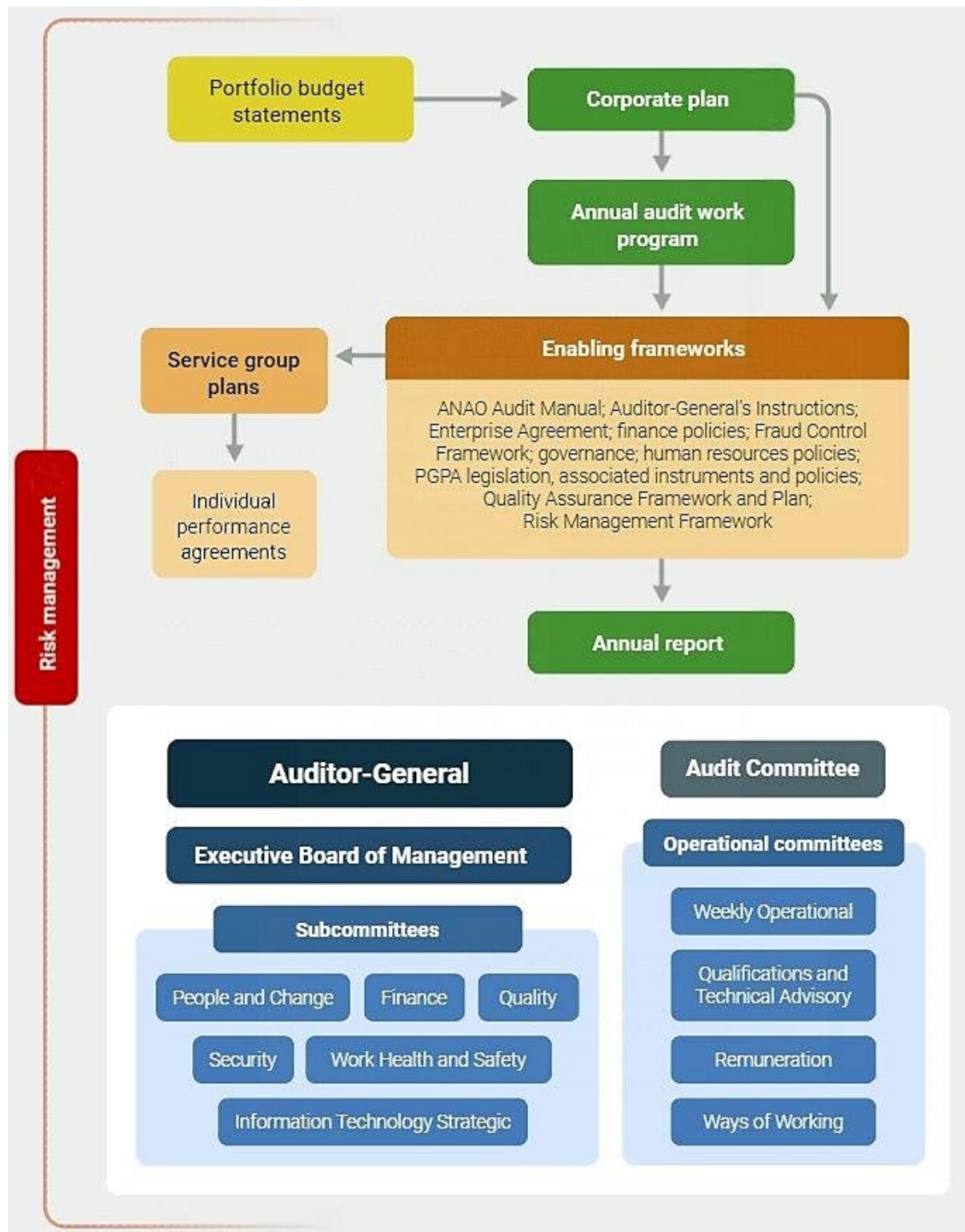
- **Finance Committee** — advises the Executive Board of Management on financial matters, and monitors the strategic and operational risks associated with resources.
- **Security Committee** — provides assurance and assistance to the Executive Board of Management on the ANAO's security framework and monitors associated strategic and operational risks.
- **Work Health and Safety Committee** — monitors and reviews the ANAO's work health and safety (WHS) policies and practices and advises the Executive Board of Management on WHS matters.
- **Information Technology Strategic Committee** — provides advice to the Executive Board of Management on information technology and business system strategic directions and investments.

Operational committees

There are four ANAO operational committees:

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

Figure 4.1: ANAO governance structure and strategic planning framework, at 30 June 2021



Audit Committee

The Audit Committee provides independent assurance and advice to the Auditor-General, including reviewing the appropriateness of the ANAO's financial and performance reporting, systems of risk oversight and management, and systems of internal control.

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

In order to maximise the independence of the assurance and advice provided by the Audit Committee, the Auditor-General appoints only external independent members. The Audit Committee met five times during 2020–21.

Details of the Audit Committee's membership in 2020–21, including remuneration for the period, meeting attendance, and experience and qualifications of members, is provided in Table 4.2.

Table 4.2: Membership of the ANAO Audit Committee for 2020–21

Member	Experience and qualifications	No. of meetings attended	Remuneration for 2020–21 (\$) ^(a)
Mr Will Laurie (chair until October 2020)	<ul style="list-style-type: none">• Leadership roles in professional firms, including Price Waterhouse, PwC and Boyce Chartered Accountants• Chair of Commonwealth and ACT agencies' audit committees, including Department of Defence, Treasury, Attorney-General's Department and ACT Chief Minister's directorate• Specialist knowledge of Commonwealth financial and performance management• Commercial board experience in online retailing, economic and social modelling, and property management• Bachelor of Economics and Graduate Diploma of Applied Finance	2	6,485.46
Ms Maria Storti (member; chair since October 2020)	<ul style="list-style-type: none">• Independent chair and member of several Commonwealth audit committees and non-executive director• Former Ernst & Young advisory partner and worked with PwC in the areas of audit, consultancy and risk• Senior executive roles in various sectors, including responsibility for corporate planning• Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Australian Institute of Company Directors, and member of the Institute of Internal Auditors — Australia• Master of Business Administration and Bachelor of Economics	5	15,500

Member	Experience and qualifications	No. of meetings attended	Remuneration for 2020–21 (\$) ^(a)
Mr Sean Van Gorp (member)	<ul style="list-style-type: none"> Former managing partner of Ernst & Young's audit and advisory business for 10 years 25 years' experience working in a diverse range of industries, including telecommunications and IT, financial services, insurance, retail, mining and chemicals, and the public sector — based in Asia and London for four years Board member of National Institute of Dramatic Arts for six years Master of Business Administration and Bachelor of Economics 	5	12,500
Ms Kerri Hartland (member since October 2020)	<ul style="list-style-type: none"> Former Commonwealth departmental secretary and public servant of 30 years standing across 10 departments and agencies Chair of Commonwealth Office of the Special Investigator's Audit and Risk Committee Expertise in risk, change management, diversity and leadership Graduate of Australian Institute of Company Directors, member of Chief Executive Women, National Security College Futures Council member, Deputy Chair of National Youth Science Forum, board member of Canberra Hospital Foundation and Canberra Girls Grammar School Master of Legal Studies, Bachelor of Arts, Bachelor of Economics 	3	7,500

(a) Excludes GST.

Strategic planning framework

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

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

Key elements of the ANAO's strategic planning framework for 2020–21 are presented in Figure 4.1. Further details on the ANAO corporate plan and annual audit work program are provided below.

Corporate plan

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

The corporate plan articulates the purpose of the ANAO and the environment within which the ANAO expects to operate. It outlines our intended capability investments, including the plans and strategies we will implement to achieve our purpose. The plan also details the planned activities and performance of the ANAO, including the measures we use to assess our performance. It also provides an overview of the ANAO's risk oversight and management systems.

Annual audit work program

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

A whole-of-organisation planning process brings together the knowledge and insights gained across all ANAO audit activity to identify priority areas of audit coverage. In determining the 2021–22 program, the ANAO considered prior-year audit and other review findings and what these indicate about the portfolio risks and areas for improvement, as well as emerging risks from new investments, reforms or operating environment changes.

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

Organisational capability

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

The ANAO's [Corporate Plan 2020–21](#) outlined capability investments we would make to ensure that we continue to deliver on our purpose. The areas of investment were:

- workforce — including people, productivity and technology;
- culture and integrity; and
- quality.

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

Workforce

The ANAO is a professional organisation of people with strong technical and specialist skills.

Over recent years, the ANAO has implemented change programs to strengthen the capability of our workforce. We are starting to realise the benefits of our investments into an integrated and collaborative approach to audit, as well as productivity gains associated with flexible ways of working and the use of modern, secure and robust technology.

To support audit now and into the future, the ANAO continues to identify strategic opportunities to explore new ways of working, develop existing areas of capability and embed efficiencies in our organisational design and processes.

People

The ANAO must continue to invest in the specialist and technical capability of our workforce to ensure we are suitably skilled to deliver on our purpose.

At 30 June 2021, the ANAO employed 318 staff, including 26 senior executives. The ANAO staffing profile, details of coverage of employment instruments, diversity statistics and salary information can be found at Appendix C. The ANAO's staff engagement and performance strategies are outlined in Appendix D.

Recruitment

In 2018, the ANAO developed a workforce plan that included a proposal to develop a revised recruitment strategy. As part of the 2021–22 Budget, the government announced additional funding to the ANAO to increase resources across the organisation, to support the delivery of all our audit products. As a result, the ANAO is in the process of reviewing the current approach to recruitment across the organisation.

Work commenced in June 2021 to develop a proactive recruitment strategy, supported by service group recruitment plans, based on forecast vacancies and established workforce requirements for each service group. The recruitment strategy and individual group recruitment plans will identify the ideal skills, potential capability and expertise required in the future workforce for each service group.

High performance

The ANAO is focused on supporting the high performance of our people as technical and specialist experts, and leading public service professionals.

The ANAO talent management program was relaunched in May 2020 after a pilot program in 2018–19. The program ran for 12 months with participants commencing and concluding the program with a 360-degree review. Participants developed individual learning plans in consultation with their Senior Executive Service talent sponsor, received individual and group coaching sessions, and participated in shadow board meetings and a leadership challenge, which was presented to the Executive Board of Management. An evaluation of the program is underway.

In July 2020, the ANAO relaunched the ANAO Mentoring Program, commencing with training sessions for both mentors and mentees. The program, which is driven by ANAO staff and facilitated by mentoring guides and agreements, has produced positive engagement.

The ANAO recognises that flexible working arrangements can provide opportunities and benefits to employees, audit entities and the organisation as a whole. In March 2021, the ANAO introduced a new flexible working arrangements policy, taking account of lessons learned through the working

arrangements necessary during 2020–21 as a result of the COVID-19 pandemic. The policy outlines the types of arrangements, including activity-based working options, available to ANAO employees.

The policy is in line with the *Fair Work Act 2009*, National Employment Standards, the ANAO Enterprise Agreement 2016–2019 (current under a Public Service Act section 24(1) determination) and the ANAO Employment Manual. The policy applies to all ANAO employees classified as ongoing, non-ongoing, full-time and part-time. Contractors with 12 months or more of continuous service within the Australian Public Service (APS) may be eligible.

Learning and development

The ANAO considers learning and development as critical to building the technical and specialist capability within our people to deliver on our purpose.

To support learning and development in 2020–21, the ANAO continued to work closely with providers to move to a virtual training model. Non-technical training focused on people management (coaching and developing others), managing mental health, personal productivity, and skills to help staff transition to remote working. We also engaged guest speakers to discuss the importance of integrity and data capability. Technical training included internal experts facilitating training on the ANAO's quality framework, risk management and the ANAO Audit Manual. Supported by our technology environment, the ANAO recorded training sessions to provide training flexibility for staff.

Late in 2020–21, the ANAO made changes to the mandatory training requirements for contract staff. The Learning and Development team developed a contractor module, condensing the training into a one-hour module covering all the mandatory training topics:

- About the ANAO;
- APS Values and Code of Conduct and ANAO Values;
- Respect, Diversity and Inclusion at the ANAO;
- APS Frameworks;
- Legislative and Governance Frameworks;
- Records Management and E-Hive Induction;⁶
- ANAO's Risk Management Framework, Risk Awareness and Risk Management;
- Fraud Control;
- Gifts and Benefits;
- Money and Resources;
- Protective Security and Security Awareness;
- Work Health and Safety; and
- Emergency Procedures.

The module will enable contractors to complete their mandatory training efficiently and effectively through the ANAO learning management system.

Finally, the ANAO introduced a revised approach to induction with quarterly face-to-face sessions involving briefings from the Auditor-General, the Deputy Auditor-General, all Group Executive Directors, Senior Executive Directors and section heads from the Corporate Management Group. We also developed a comprehensive induction package that provides both corporate and audit-specific

⁶ E-Hive is the ANAO's electronic file management system.

information. We started piloting the new program in January 2021 and will seek continuous feedback throughout the year.

Graduate program

The ANAO's 2020 graduate recruits had a challenging year, undertaking induction and training in an almost entirely virtual program due to the COVID-19 pandemic. This model was largely successful, with the whole cohort graduating in February 2021.

We refined the pilot virtual recruitment processes used to recruit the 2020 graduate cohort, and again used virtual processes for the 2021 graduate cohort. The human resources team continued to use a combination of face-to-face and virtual training models for both graduate cohorts.

Changes to the graduate program and induction processes for 2021 included:

- a 'keeping warm' engagement strategy that runs during the period between offers being accepted and the commencement of graduates — the strategy establishes initial relationships, maintains candidate interest in the program, and increases retention of preferred candidates; and
- an extended induction program for new graduates, consisting of two weeks of intensive face-to-face training, followed by a tapered delivery of core skills training during the initial six-month probationary period, and extension training/support in the final six months of the program during the lead-up to graduation and advancement to the APS 4 level.

We will make continuous improvements to the graduate program and induction process following evaluation of this new model. These changes will incorporate feedback provided on the induction model piloted during 2021, as well as the trialling of a new concurrent program for the two proposed graduate cohorts that will commence with the 2022 intake. This trial program will see an initial graduate cohort onboarding in October 2021 and a second commencing in February 2022.

Workforce plan

In 2018, the ANAO developed a workforce plan, focused on building a workforce that is forward looking, risk focused, technologically adept, change orientated and highly adaptive.

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

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

The ANAO successfully delivered on a human resource metrics framework and a core capability framework. Changes within our environment have meant that the intended approach to the recruitment, onboarding and separation, and development and high performance strategies — as outlined in the 2018 plan — are no longer fit for purpose.

The ANAO will continue to focus on building and uplifting organisational capability as part of a renewed workforce strategy.

Employment arrangements

The ANAO Enterprise Agreement 2016–2019 nominally expired on 21 April 2019. In April 2019, the ANAO implemented a section 24(1) determination under the *Public Service Act 1999* that holds in place conditions of the ANAO Enterprise Agreement 2016–2019 while enabling an annual 2 per cent pay increase. The section 24(1) determination expires on 22 April 2022. In the second half of 2021, consultations with staff will cover the bargaining process, and the new Public Sector Workplace Relations Policy 2020 and its effect on wage increases.

Productivity and technology

The ANAO maintains an ongoing focus on building productivity as a key capability. We recognise that improved productivity is critical to demonstrating the efficient use of taxpayer funds in the delivery of our work to the Parliament and the public.

In 2020–21, we achieved productivity improvements through a focus on using resources strategically, streamlining our business practices and modernising our ways of working. Productivity improvements are designed to become part of our business-as-usual processes, enabling continued improvement and enhanced capability.

We have achieved productivity improvements through our pandemic response, our data analytics strategy, new audit tools and systems, and our information technology strategy.

Pandemic response

The ANAO's ongoing COVID-19 response has been guided by the ANAO COVID-Safe Plan. The plan outlines how we will adhere to the 10 national COVID-19 safe workplace principles and provide a safe and healthy working environment during the pandemic. It includes guidance on physical distancing, hygiene, risk management and responding to a confirmed or suspected case of COVID-19 at the ANAO's premises.

In line with the easing of public health restrictions, we have undertaken a gradual return to office-based work consistent with the three-stage transition plan in our COVID-Safe Plan. This initially included staff attending the office up to two days per week according to a roster-based system. From March 2021, the office has been the primary place of work.

To leverage the benefits of flexible working that became apparent during the pandemic, we updated our flexible working arrangements policy. This recognises the benefits that flexible work arrangements can provide for both the individual and the organisation. Many staff have taken advantage of these new arrangements and work from home either regularly, or on an ad hoc basis. In 2020–21, the ANAO recorded 50 ongoing work-from-home arrangements, and 43 ad hoc arrangements by staff. An additional 10 staff had ongoing arrangements that involved working from another location (work from home, not in Canberra).

In August 2020, Comcare conducted a proactive inspection of the ANAO's management of COVID-19 risks in the workplace. Comcare found that the ANAO was complying with its duties under the *Work Health and Safety Act 2011* and Work Health and Safety Regulations 2011. An internal audit of the ANAO's management of the COVID-19 pandemic was completed in March 2021. The audit found that the systems and processes established by the ANAO in response to the COVID-19 pandemic were effective in managing the wellbeing of employees and maintaining the delivery of core business services. No recommendations were identified.

Data analytics strategy

The ANAO's Data Analytics Strategy 2018–2020 successfully delivered a number of new initiatives and supported audit service groups in incorporating data analytics into their audit approach. The

strategy focused on the innovative and effective use of data analytics, building capability, and providing new products that yield new audit insights. Such products include information reports and data-driven compliance audit process.

During 2020–21, three data analytics solutions previously developed for individual audits were standardised and extended for broad use in financial statements audits where appropriate. These are:

- a dashboard-based analytic for the testing of employee entitlements that uses point-in-time employee data to provide an expectation for relevant balances, such as base salary and superannuation;
- a solution focused on testing leave provisions, including the recalculation of employee leave entitlements, and confirming that the value of these is aligned with reported provisions; and
- a solution to assist with the risk assessment of journals, in which individual transactions are assessed against a series of risk characteristics specified by audit teams, to allow subsequent testing to focus on items that are of greatest interest.

A fourth solution supporting the testing of appropriations is under development and being piloted during the 2020–21 audit cycle. The specialist data analytics team also provides support to corporate functions, including data-driven decision-making and improving the way data is collected and reported.

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

New audit tools and systems

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

TeamMate™ is the key audit management tools used by the ANAO. In 2019, the ANAO upgraded this software. The next significant upgrade will occur in late 2021 and will extend support arrangements.

Nuix™ is used by performance audit teams as a software platform for indexing, searching, analysing and extracting knowledge from unstructured data. In 2020, changes were made to expand cloud storage capacity to support Nuix analysis, and the process will be repeated in 2021 as use of this product increases.

In October 2020, the ANAO completed migration of TechnologyOne™, its financial management information system, to a cloud platform. This migration simplifies the upgrade process and establishes the means to implement more advanced modules for improved function, workflows and user interface. This will increase the ANAO's effectiveness and efficiency in carrying out robust financial management.

The ANAO uses Saviom™ to allocate and monitor resources for audits. During 2020–21, the capability of Saviom was extended by importing time records and expense data. Reporting portals were also configured to display additional data. Saviom now combines the previously separate function of audit management with resource planning. This provides audit groups with the means to record and track progress of audit budgets, compare actual time against forecast time, and run a number of executive management reports.

Information technology strategy

The ANAO continued to invest in building a digital working environment that is enabled by modern flexible tools and supported by a proactive cyber security posture. In late 2020, the ANAO developed an information technology strategy and a technical roadmap that outlines a four-year program of work to uplift the ANAO's existing capability. The strategy is focused on establishing secure data exchange as well as improved data analytics, collaboration and workflow automation. Implementation of the roadmap will ensure the ANAO's digital workplace remains robust and scalable, while building sufficient flexibility to meet future operational and audit needs.

During 2020–21, the ANAO completed the final year of its security improvement project to build increased security resilience and responsiveness. With the completion of this project, the ANAO achieved target maturity levels as measured against the Australian Cyber Security Centre's Essential Eight mitigation strategies, including timely patching of applications and operating systems, increased system logging, improved threat monitoring and detection capabilities, better protection against delivery and activation of malware, and increased capability to respond to cyber security incidents. The ANAO also invested in new cyber security and phishing awareness programs for staff in recognition of an increased threat of targeted phishing spam.

Culture and integrity

The ANAO is committed to building a workforce culture driven by our values and focused on high performance, quality and professionalism. Our unique role and purpose in the public sector mean we must continue to promote a culture that reflects the professional and independent posture expected of us — by the Parliament, the public sector and the audit community.

We recognise that strong values and shared culture is fundamental to supporting the performance and engagement of our people. During 2020–21, the ANAO placed an increased focus on our value of integrity, which demands not only quality in our products but also in the behaviours of our people. In our role as external auditor of the public sector, with our focus on integrity, we must lead by example, through best practice, at all times. The ANAO defines integrity as the practice of demonstrating honesty and uncompromising adherence to strong ethical principles. The ANAO upholds five key principles of integrity — independence, honesty, openness, accountability and courage. In the ANAO, integrity means more than simply complying with requirements.

In 2020–21, the ANAO implemented an integrity framework. The framework was developed after the ANAO participated in 'IntoSAINT' — a self-assessment tool for audit institutions and other public sector organisations — to identify and evaluate institutional integrity. The framework focuses on increasing integrity awareness across the organisation through training and communication, and through an Integrity Adviser, providing support and guidance on integrity issues. The framework assists in ethical decision-making and managing risk, fraud and misconduct by consolidating our integrity controls system, including policies, procedures and guidelines. The ANAO will continue to elevate our culture towards these ideals through clear organisational expectations, ongoing development of employee capability, and a consistent approach to performance management. Our focus on integrity in our culture will draw heavily from the international public audit sector.

Training in the areas of non-technical skills and leadership remain a key focus across our organisation, in supporting the health, wellbeing and working experience of our people.

Quality

The ANAO maintains a strong and ongoing focus on its quality framework (Figure 4.2) as a core business investment. A sound quality framework supports delivery of high quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in reports prepared for the Parliament.

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

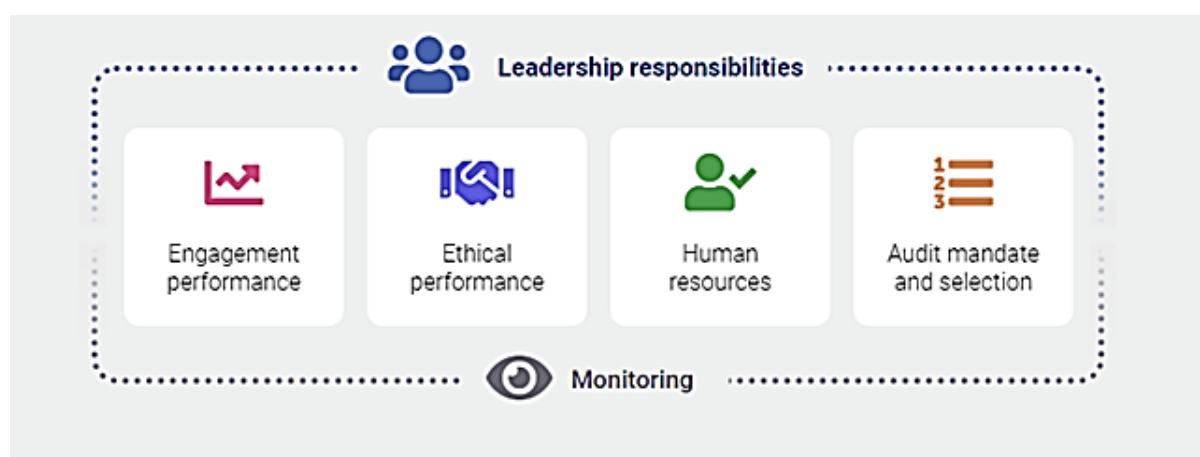
The ANAO published its [Quality Assurance Framework and Plan 2020–21](#) in July 2020. In October 2020, the ANAO published its first [Audit Quality Report 2019–20](#), which assesses the implementation and operating effectiveness of the quality assurance framework. The report provides transparency around the processes, policies and procedures that support each element of the quality assurance framework, as well as performance results against audit quality indicators and target benchmarks. Measuring performance against audit quality indicators informs and enhances our reporting about audit quality and assists in understanding the root causes of quality inspection findings. To enhance accountability, the audit quality report also assesses the ANAO's achievement of the quality assurance strategy and deliverables, as set out in the Quality Assurance Framework and Plan 2020–21.

In 2020–21, the ANAO expanded its root cause analysis program after a successful pilot during 2019–20. In August 2020, the Australian Investments and Securities Commission (ASIC) reported on its [review of the ANAO quality assurance framework](#), which included a high-level review of the ANAO's policies and processes for the pilot root cause analysis program conducted on quality assurance findings from internal monitoring programs. ASIC made one good practice recommendation to continue the root cause analysis program and expand the population and sources to enhance the program as it matures. In 2020–21, the ANAO incorporated the conduct of root cause analysis into the ANAO Quality Assurance Framework and Plan as a permanent activity associated with quality assurance monitoring. The ANAO also incorporated a number of the suggested considerations from ASIC on how to expand and enhance the root cause analysis program and will continue to do so over future years in a staged approach.

The ASIC review is one example of how the ANAO continues to enhance its quality framework to include good practice recommendations from external reviews. The ANAO also identifies opportunities to continuously improve the framework through the conduct of internal quality assurance reviews, the internal audit on compliance with ANAO Audit Manual policies, and root cause analysis.

During 2020–21, we prepared the [Quality Assurance Framework and Plan 2021–22](#), which complements the [ANAO Corporate Plan 2021–22](#), and outlines the quality assurance strategy and key activities planned for the year ahead.

Figure 4.2: ANAO quality framework



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

In March 2021, the Auditor-General made an amendment to the ANAO Auditing Standards that provides an option for the Auditor-General or the ANAO's Independent Auditor to elect, wholly or in part, to conduct a performance audit as a compliance engagement under ASAE 3100 *Compliance Engagements*. While the previous ANAO Auditing Standards allowed for a performance audit conducted under ASAE 3500 *Performance Engagements* to address aspects of an audited entity's compliance with relevant requirements, making ASAE 3100 available for the conduct of such audits may be more efficient and effective.

Methodology

The ANAO Auditing Standards are supported by a methodology incorporating [audit manuals](#) applicable to performance audit and assurance audit work. The ANAO regularly reviews and updates this methodology to reflect changes in the ANAO Auditing Standards, industry better practice, and new and emerging products, and to address findings from the ANAO's quality assurance program. In 2020–21, key updates to the methodology included:

- revision to the audit policy related to use of information-gathering powers to:
 - provide comprehensive policy requirements with respect to the conduct of judicial proceedings under section 32(2) of the *Auditor-General Act 1997*;
 - clarify the ANAO's existing practice to obtain information from auditees on a cooperative basis; and
 - provide policy in circumstances where the formal use of information-gathering powers is necessary, which may include where the auditee wishes to cooperate but is faced with a legal impediment to providing information to the ANAO that can be resolved by the Auditor-General giving a formal direction;
- implementation of the revised financial statements auditing standard ASA 540 *Auditing Accounting Estimates and Related Disclosures*; and

- continued development of performance statements audit policy and methodology supporting the ANAO's ongoing performance statements audit activity.

Risk management

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

Risk management framework

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

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

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

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

The ANAO proactively managed a number of serious risk incidents in 2020–21 in response to a changing risk environment. These included environmental hazards restricting use of the ANAO's office facilities and the COVID-19 pandemic. The required mitigations that the ANAO put in place in response to these risk events will continue to benefit the ANAO's operations in the post-pandemic environment.

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

Internal audit

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

In 2020–21, the ANAO's internal auditor, BellchambersBarrett, completed the following reviews:

- ANAO Risk Management Framework;
- ANAO Cyber Security — Follow-up Review;
- ANAO's Management of COVID-19 and Lessons Learned Review;
- ANAO Audit Manual Compliance;
- Work Health and Safety Review; and
- Fraud Risk Assessment and Fraud Control Plan.

The six completed internal audits made 16 recommendations in total, all agreed to by the ANAO. Following the June 2021 Audit Committee meeting, work was in progress to address the two outstanding internal audit recommendations.

Control environment

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

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

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

Probity and independence

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

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

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

The ANAO's integrity control system and processes include good governance practices, publishing of gifts and benefits, and an ongoing focus on independence in the delivery of our work. Beyond its

control system, the ANAO maintains an enduring focus on promoting integrity as an organisational value that is embedded in our work and culture.

Fraud control and prevention

The Senior Executive Director, Corporate Management Group, is responsible for managing the ANAO's fraud control framework, including fraud detection, prevention and response. This framework is linked to the ANAO's risk management framework and consolidates all fraud prevention and detection activities in one document. Having particular regard to risk against the ANAO's reputation should fraudulent activity occur, the ANAO periodically reviews its fraud control framework to take into account changes in its operating environment. There were no incidents of fraud in 2020–21. We conducted a fraud risk assessment and concluded that all identified fraud risks were accurately assessed and appropriate controls were in place.

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

Auditor-General's disclosure of expenses

The Auditor-General voluntarily discloses publicly any expenses incurred to ensure transparency. The [Auditor-General's expenses](#) are disclosed every six months. His expenses for the 2020 calendar year and for January to June 2021 are available on the ANAO website.

Gifts and benefits

The ANAO gifts and benefits policy recommends that ANAO employees do not accept any gifts or benefits in their role as an employee of the ANAO. Employees are required to report any offered gift or benefit (whether accepted or refused) within 10 business days of the offer being made, through an internal gifts and benefits register. The data collected through the register is reported to the ANAO's Executive Board of Management, and a subset of the data is [reported publicly](#).

Outside employment

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

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

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

At 30 June 2021, the ANAO approved 27 staff undertaking outside employment activities.

Compliance survey

ANAO staff who exercise delegated powers and responsibilities assert their compliance with the financial framework, including compliance with the PGPA Act, by completing a compliance survey. The response rate to the survey in 2020–21 was 100 per cent. All identified staff provided a response either individually or by way of a proxy in their absence. Forty-two instances of non-compliance were reported for the 2020–21 financial year, all of which were deemed to be non-significant breaches of the finance law and associated legislation, and the ANAO delegations.

There were 21 instances where procurements made by the ANAO were registered on AusTender™ after 42 days. The ANAO has implemented additional internal controls to mitigate the likelihood of procurements not being reported on AusTender within the mandated timeframe.

There were 18 instances of misuse of the ANAO's corporate credit card in 2020–21. This represents 0.2 per cent of total credit card transactions. Although the proportion of misuse is small, each instance is investigated, with all of these incidents found to be inadvertent. All instances of credit card misuse were reported to the Executive Board of Management. The Chief Finance Officer contacted those staff who misused their credit card, reminded them of their obligations when using the card, and ensured that the amounts associated with the misuse of the credit cards were repaid into the ANAO's bank account.

There were two non-significant breaches of the ANAO's Fraud Control Plan and one non-significant breach relating to the ANAO's Enterprise Agreement. All three instances have been investigated. The ANAO has taken steps to educate staff to ensure compliance with the ANAO's governance frameworks and policy documents.

External scrutiny

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

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

In 2019–20, the Independent Auditor commenced a performance audit to assess the effectiveness of the ANAO's internal budgeting and forecasting processes and practices in supporting the 2019–20 and 2020–21 financial years. The Independent Auditor Report, [*Performance Audit of Internal Budgeting and Forecasting Processes and Practices*](#), was tabled in Parliament in September 2020. The audit made four recommendations, all of which were agreed to by the ANAO.

The Independent Auditor conducts an audit of the ANAO's performance statements at the request of the Auditor-general to provide independent assurance to the Parliament.

The ANAO received unmodified auditor reports on its financial statements and performance statements for the year ended 30 June 2021.

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had a significant effect on the ANAO's operations in 2020–21. The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2020–21.

Other management issues

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

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

Appendixes

Appendix A — Transparency reporting	103
Appendix B — Entity resource statement and expenses by outcome	105
Appendix C — Workforce information.....	107
Appendix D — Staff engagement and performance strategies	111
Appendix E — Other management issues	114

Appendix A — Transparency reporting

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

Table A.1: Transparency reporting

Prescribed information ^(a)	Coverage in this annual report
Description of the auditor's legal structure and ownership	The 'Role' section in Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO.
Description of the auditor's governance structure	The 'Governance' section in Part 4 details the corporate governance framework of the ANAO.
Description of the auditor's internal quality control system	The 'Quality' section in Part 4 details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality' section in Part 4 details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	<p>The 'External scrutiny' section in Part 4 details the bodies that are authorised to review the work of the ANAO and the external review completed during the year.</p> <p>Table 2.1 in Part 2 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit.</p>
The names of the bodies for which the auditor conducted an audit in the reporting year	<p>The year-end report to the Parliament on audits of financial statements (Auditor-General Report No. 25 of 2020–21) lists all entities for which financial statements audits were conducted for the period ended 30 June 2020.</p> <p>Information on all audit reports tabled by the Auditor-General in the Parliament during 2020–21 is available on the ANAO website.</p>
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Probity and independence' section in Part 4 details the ANAO's independence framework for audit professionals.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Supporting high performance' section in Appendix D details the ANAO's education framework for audit professionals.

Prescribed information ^(a)	Coverage in this annual report
Financial information for the auditor for the reporting year	<p>The 'Report on financial performance' section in Part 3 provides an overview of the ANAO's financial results.</p> <p>The ANAO's audited financial statements for 2020–21 are presented in Part 3.</p>
Information on the basis for remuneration of the auditor's senior managers	Note 2 of the financial statements in Part 3 details the ANAO's arrangements for performance assessment and performance pay, and senior executive remuneration.

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

Appendix B — Entity resource statement and expenses by outcome

Entity resource statement

Table B.1: Entity resource statement 2020–21

	Actual available appropriations for 2020–21 (\$'000)	Payments made 2020–21 (\$'000)	Balance remaining 2020–21 (\$'000)
Ordinary annual services			
Departmental appropriation ^(a)	100,389	76,829	23,560
Total ordinary annual services	100,389	76,829	23,560
Special appropriations			
Auditor-General remuneration and expense— <i>Auditor-General Act 1997</i> , Schedule 1, sections 3 and 7	778	704	74
Total special appropriations	778	704	74
Total resourcing and payments	101,167	77,533	23,634

(a) *Appropriation Act (No. 1) 2020–2021*, prior-year departmental appropriation, and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Expenses by outcome

Table B.2: ANAO's summary of total expenses for Outcome 1, 2020–21

	Budget ^(a)	Actual expenses	Variation
	2020–21	2020–21	2020–21
	(\$'000)	(\$'000)	(\$'000)
<i>Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.</i>			
Program 1.1: Assurance Audit Services			
Departmental expenses			
Departmental appropriation ^(b)	43,412	43,574	(162)
Special appropriation	389	352	37
Expenses not requiring appropriation in the budget year	1,997	2,371	(374)
Total for Program 1.1	45,798	46,297	(499)
Program 1.2: Performance Audit Services			
Departmental expenses			
Departmental appropriation ^(b)	28,567	30,278	(1,711)
Special appropriation	389	352	37
Expenses not requiring appropriation in the budget year	1,717	1,647	70
Total for Program 1.2	30,673	32,277	(1,604)
Total for Outcome 1	76,471	78,574	(2,103)
		2020–21	2019–20
Average staffing level (number)		310	323

(a): Full year budget, including any subsequent adjustment made to 2020–21 Budget.

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

Appendix C — Workforce information

Table C.1: Staff coverage under employment instruments, at 30 June 2021

Number of employees covered by the ANAO Enterprise Agreement 2016–2019	Number of employees covered by a common law employment contract	Number of employees with an individual flexibility arrangement in place
292	26	12

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

Table C.2: Ongoing, non-ongoing and casual staff, by classification and gender, at 30 June 2021 and 30 June 2020

		Ongoing			Non-ongoing			Casual			Total
		Female	Male	X	Female	Male	X	Female	Male	X	
SES 3	2021	1	–	–	–	–	–	–	–	–	1
	2020	1	–	–	–	–	–	–	–	–	1
SES 2	2021	2	1	–	–	–	–	–	–	–	3
	2020	3	1	–	–	–	–	–	–	–	4
SES 1	2021	11	10	–	1	–	–	–	–	–	22
	2020	11	11	–	–	–	–	–	–	–	22
EL 2	2021	37	23	–	–	–	–	–	–	–	60
	2020	37	31	–	–	–	–	–	–	–	68
EL 1	2021	32	23	–	1	–	–	–	–	–	56
	2020	33	27	–	2	1	–	–	–	–	63
APS 6	2021	36	25	–	3	–	–	–	–	–	64
	2020	36	27	–	2	–	–	–	–	–	65
APS 5	2021	33	26	–	1	1	–	–	–	–	61
	2020	37	20	–	–	1	–	–	–	–	58
APS 4	2021	10	18	–	–	–	–	–	–	–	28
	2020	14	15	–	2	–	–	–	–	–	31
APS 3	2021	1	–	–	1	–	–	–	–	–	2
	2020	1	–	–	–	1	–	–	–	–	2
APS 2	2021	–	–	–	–	–	–	–	1	–	1
	2020	–	–	–	–	–	–	–	1	–	1
APS 1	2021	–	–	–	–	–	–	1	3	–	4
	2020	–	–	–	–	–	–	1	2	–	3
Graduate	2021	9	7	–	–	–	–	–	–	–	16
	2020	7	11	–	–	–	–	–	–	–	18
Total	2021	172	133	–	7	1	–	1	4	–	318
	2020	180	143	–	6	3	–	1	3	–	336

See table notes on following page.

Notes: APS = Australian Public Service; EL = Executive Level; SES = Senior Executive Service;
X = indeterminate / intersex / unspecified (any person who does not exclusively identify as either male or female).
Includes all staff employed by the ANAO, including operative and inoperative staff. Inoperative staff are defined as staff who are absent from work for more than 13 weeks. Information in this table covers substantive classification of staff and does not include acting arrangements.

Table C.3: Ongoing, non-ongoing and casual staff, by attendance type, at 30 June 2021 and 30 June 2020

Employment type	Attendance type							
	Full-time		Part-time		Casual		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Ongoing	277	288	28	35	–	–	305	323
Non-ongoing	6	7	2	2	–	–	8	9
Casual	–	–	–	–	5	4	5	4
Total	283	295	30	37	5	4	318	336

Notes: Includes all operative and inoperative staff. The data in this table for 2020 has been amended since the Annual Report 2019–20, which had excluded three full-time inoperative staff who were on leave without pay. This has been done for consistency between tables D.2 and D.3.
Four full-time ongoing staff identify as Indigenous.
All ANAO positions are Canberra-based.

Remuneration

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

In April 2019, the ANAO implemented a section 24(1) determination under the *Public Service Act 1999* after a lengthy consultation process. The determination holds in place conditions of the ANAO Enterprise Agreement 2016–2019 while enabling an annual 2 per cent pay increase commencing 22 April 2019. This agreement was put on hold when the Australian Government issued a section 24(3) determination, effective 14 April 2020, pausing all Australian Public Service (APS) staff pay increases for a period of six months. The final programmed 2 per cent pay rise under the determination was paid to employees on 22 April 2021. The ANAO anticipates surveying employees to determine whether to enter into enterprise agreement bargaining or seek approval to implement a further section 24(1) determination.

The salary ranges for Senior Executive Service (SES) staff are determined by the ANAO's [SES Remuneration Policy](#). The recent removal of the stay on adjustments to remuneration and allowances for SES employees will result in the return of annual review. Future SES pay rises will be capped at private sector Wage Price Index increases as required under the Public Sector Workplace Relations Policy 2020. [SES remuneration payments](#) are set out under Note 2.3 of the financial statements at Part 3 of this report.

Table C.4: Salary ranges for APS employees, by classification, at 30 June 2021

Classification	Salary range (\$)
EL 2	126,134–157,419
EL 1	109,841–123,779
APS 6	89,499–102,866
APS 5	80,783–88,028
APS 4	70,333–77,299
APS 3	64,698–69,969
APS 2	59,430–64,697
APS 1	48,888–59,429
Graduate	64,698–69,969

APS = Australian Public Service; EL = Executive Level.

Table C.5: Performance payments in 2020–21

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	9	57,938	6,438	5,025	12,485
EL 2	7	32,653	4,665	3,710	7,420
EL 1	3	9,716	3,239	2,708	3,504
APS 6	–	–	–	–	–
APS 5	2	4,444	2,222	2,069	2,376
APS 4	2	4,240	2,120	2,069	2,171
APS 3	–	–	–	–	–
APS 1–2	–	–	–	–	–
Total	23	108,991			

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

Table C.6: Summary of performance ratings for the period ending 31 October 2020

Classification broadband	Substantially exceeds expectations	Exceeds expectations	Meeting expectations	Not meeting expectations	Total
ANAO bands 4 and 5 (EL 1 and EL 2)	9	40	64	4	117
ANAO bands 1 to 3 (APS 1–6)	5	47	83	1	136
Total	14	87	147	5	253
Proportion of total eligible staff	6%	34%	58%	2%	

APS = Australian Public Service; EL = Executive Level.

Non-salary benefits

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

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

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

Appendix D — Staff engagement and performance strategies

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

Recruitment and retention

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

Graduate program

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

In 2021, the ANAO's graduate program included 16 graduates: eight in the Assurance Audit Services Group, six in the Performance Audit Services Group, and two in the Corporate Management Group.

Intern program

The ANAO's intern program provides paid casual work experience for Canberra university students who are currently completing an undergraduate degree in a relevant field of study. During 2020–21, seven students participated in the ANAO intern program. The ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, Chartered Accountants Australia and New Zealand and CPA Australia to recruit students for the program.

Supporting high performance

During 2020–21, 41 staff members accessed supports through the ANAO's Studies Assistance Policy to undertake qualifications and tertiary education, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA (the professional association for IT audit specialists). Additionally, 130 staff were supported to obtain or maintain professional memberships with accredited professional associations and institutions (supported by the ANAO's enterprise agreement). The ANAO also invested in a diverse range of programs to build capabilities, including coaching, technical workshops, wellbeing and communication skills. The year saw a stronger focus on increasing soft skills throughout the ANAO.

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

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

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

management, audit management and innovation. In 2020–21, a total of 26 employees were recognised through formal ANAO awards (Auditor-General's Australia Day Awards and outstanding achievement awards).

Talent management program

During 2020–21, the ANAO continued to implement a renewed approach to talent management.

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

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

An evaluation of the program is underway.

Staff engagement

To deliver effectively and efficiently against our purpose, the ANAO requires high quality, high performing people who are fully engaged with their work and their workplace. Each year, the ANAO participates in the Australian Public Service employee census. The 2020 census achieved an ANAO staff response rate of 83 per cent, which was an improvement over the 2019 response rate of 76 per cent. The ANAO's employee engagement score also increased — rising from 74 per cent in 2019 to 76 per cent in 2020 — in a period that continued to be characterised by uncertainty and change as a result of the COVID-19 pandemic. Staff increasingly and overwhelmingly identified that they are proud to work at the ANAO and believe strongly in the ANAO's purpose, and are happy to go the 'extra mile' at work when required.

The ANAO organises regular internal events that aim to foster a culture of engagement and information sharing for all staff. Events raise awareness of ANAO priorities and contribute to the professional and personal development of staff. 'Town hall' events inform staff of current organisational priorities, future directions and relevant developments. The purpose is to foster a sense of cohesion across the organisation and to recognise staff contributions and achievements. Two 'town hall' events were held in 2020–21.

The ANAO again ran LearnFest in November 2020, an innovative staff engagement and capability-building program inspired by a similar program run at the National Audit Office in the United Kingdom. Through LearnFest, the ANAO celebrates and embeds the idea of being a learning organisation, and this year the program was run across two weeks, with the first week focusing on the theme of quality and the second week coinciding with NAIDOC Week. The two themes were chosen because of the importance of quality to our work, and the opportunity to learn about and celebrate the history, culture and achievements of Aboriginal and Torres Strait Islander peoples as part of our regular LearnFest program. Staff were encouraged to attend any LearnFest workshop or activity that interested them, and managers were asked to give their teams the encouragement and space to be able to do so.

Health and wellbeing initiatives

The ANAO is committed to promoting the health and wellbeing of its staff. The ANAO recognises that work-based health and wellbeing programs positively contribute to morale, resilience and productivity by reducing workforce absence and illness and workplace injury. The ANAO participates in the Australian Public Service Commission's benchmarking on unscheduled absences across the

Australian Public Service (APS), which can provide information on staff wellbeing. The most recent report received, covering the period 1 July 2020 to 31 March 2021 shows the ANAO's unscheduled absence rate at 5.0 days compared to the APS average of 5.6 days.

By informing, enabling and supporting staff to make healthy choices, the ANAO is contributing to the overall health and wellbeing of its social community. During 2020–21, programs we promoted include:

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

Appendix E — Other management issues

Compliance with finance law

In 2020–21, the ANAO had no significant issues under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* relating to noncompliance with the finance law.

Asset management

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

Purchasing and procurement

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

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

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

All tenders and contractual arrangements undertaken in 2020–21 were carried out in accordance with the Commonwealth Procurement Rules.

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

Reportable consultancy contracts

Table E.1: Reportable consultancy contracts, 2020–21

Reportable consultancy contracts 2020–21	Number	Expenditure (\$)
New contracts entered into during the reporting period	13	\$269,757
Ongoing contracts entered into during a previous reporting period	9	\$281,065
Total	22	\$550,822

Table E.2: Organisations receiving a share of reportable consultancy contract expenditure, 2020–21

Organisations receiving a share of reportable consultancy contract expenditure 2020–21	Expenditure \$	Proportion of 2020–21 total spend (%)
KPMG	\$134,091	24
Deloitte Touche	\$116,040	21
ORIMA Research	\$99,224	18
RSM Bird Cameron	\$56,200	10
Ernst and Young	\$50,000	9
Total of the Largest Shares	\$455,556	83

During 2020–21, 13 new reportable consultancy contracts were entered into, with total actual expenditure of \$0.270 million. In addition, nine ongoing reportable consultancy contracts were active during the period, with total actual expenditure of \$0.281 million.

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

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

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

The major competitive tendering and contracting activities in 2020–21 were to obtain professional skills to assist with certain financial statements audits and performance audits.

The decision to engage a consultant is made in accordance with the PGPA Act and related rules, including the Commonwealth Procurement Rules (CPRs), and relevant internal policies.

Reportable non-consultancy contracts

Table E.3: Reportable non-consultancy contracts, 2020–21

Reportable non-consultancy contracts 2020–21	Number	Expenditure \$
New contracts entered into during the reporting period	130	\$7,740,966
Ongoing contracts entered into during a previous reporting period	207	\$24,158,813
Total	337	\$31,899,779

Table E.4: Organisations receiving a share of reportable non-consultancy contract expenditure, 2020–21

Organisations receiving a share of reportable non-consultancy contract expenditure 2020–21	Expenditure (\$)	Proportion of 2020–21 total spend (%)
Price Waterhouse	\$4,822,332	15
Ernst and Young	\$4,419,908	14
ASG Group Limit	\$3,838,050	12
Deloitte Touche	\$2,177,309	7
KPMG	\$1,709,378	5
Total of the Largest Shares	\$16,966,978	53

During 2020–21, 130 new reportable non-consultancy contracts were entered into involving total actual expenditure of \$7.741 million. In addition, 207 ongoing reportable non-consultancy contracts were active during the period, involving total actual expenditure of \$24.159 million.

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.

The major competitive tendering and contracting activities in 2020–21 were to contract-out a number of financial statements audits and performance audits, as well as to contract-in staff to assist the ANAO in delivering financial statements audits and performance audits. The ANAO's IT services are managed by a third-party provider.

The decision to engage a supplier to assist the ANAO in the delivery of its mandate is made in accordance with the PGPA Act and related rules, including the Commonwealth Procurement Rules (CPRs), and relevant internal policies.

Procurement initiatives to support small business

The ANAO supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website: [Statistics on Australian Government Procurement Contracts](#).

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

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

Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2020–21. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$14,300 (including GST) to market research organisations and media advertising organisations, incurred in the course of HR, audit and assurance reviews, are set out in Table E.1.

Table E.5: Payments made to market research organisations, 2020–21

Organisation	Purpose	Amount (\$)
Orima Research (market research organisation)	Client Survey	38,500
Orima Research (market research organisation)	Client Survey	26,717
Orima Research (market research organisation)	Client Survey	18,700

Grant programs

The ANAO does not administer any grant programs.

Environmental performance

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

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

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

Contribution to ecologically sustainable development

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

In 2021–21, the ANAO continued to improve its environmental performance and mitigate the effects of our impact on the environment through:

- procuring energy-efficient equipment and lighting solutions;
- energy-efficient power management settings on office equipment;
- video-conferencing to reduce the need for local, interstate and international travel;
- ensuring that new leases entered into comply with the Australian Government's energy policy;
- recycling of paper, cardboard, office furniture, batteries and printer cartridges; and
- fostering employee awareness of environmental issues, including reconsidering the need to print documents in line with 'paper-lite' principles.

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

Effect of activities on the environment

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

Energy

The Australian Government's Energy Efficiency in Government Operations (EEGO) policy aims to reduce the energy consumption of Australian Government operations with particular emphasis on building energy efficiency. The EEGO Policy sets an energy intensity target of no more than 7,500 megajoules (MJ) per person per year for tenant light and power. During 2021–21 the ANAO met this target, using 2,688 MJ per person per year.

The ANAO has a Green Lease Schedule (GLS) which includes the obligation to undertake a National Australian Built Environment Rating System (NABERS) tenancy rating each year. The ANAO's first NABERS rating at its current premises was conducted during 2020–21 and a 5.5 star certification was achieved. This rating demonstrates excellent performance against NABERS benchmarks and exceeds policy requirements.

Waste

The ANAO segregates waste to ensure suitable items are recycled and to minimise landfill. From 1 July 2021 the ANAO has secured monthly reporting obligations from waste vendors which will support better understanding of consumption, identify areas for improvement and support reduction of the total amount of waste sent to landfill.

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

Disability reporting

The National Disability Strategy 2010–2020 was Australia's overarching framework for disability reform, and Australian governments remain committed to releasing a new strategy in the second half of 2021. The strategy acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs that affect people with disability, their families and carers.

All levels of government are accountable for implementing the strategy. Progress reports can be found at the Department of Social Services website, dss.gov.au/.

In December 2020, the Australian Government released the Australian Public Service Disability Employment Strategy 2020–2025, with the goal of increasing the employment of people with disability across the Australian Public Service to 7 per cent by 2025. Disability reporting is included in the Australian Public Service Commission's State of the Service reports and the *APS Statistical Bulletin*. These reports are available at apsc.gov.au.

Work health and safety

Under section 38 of the *Work Health and Safety Act 2011*, the ANAO is required to notify Comcare of any incidents arising out of the conduct of the ANAO's operations that result in death, serious injury or serious illness of a person, or involve a dangerous incident. No incidents were reported in 2020–21.

Freedom of information

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

Performance audit reports, assurance review reports and audit opinions are tabled in the Parliament and/or published on the ANAO's website. Requests for audit from members and senators of the Parliament of Australia are published on the ANAO's website. Other corporate information is also published on the ANAO's website, including:

- the Auditor-General's expenses in the form of official credit card transactions;
- details of parliamentary briefings provided on request to parliamentarians and parliamentary committees;
- Senior Executive Service remuneration policy and details;
- gifts and benefits offered (whether accepted or refused); and
- the ANAO's risk management framework.

Audit fee methodology

For some financial statement audits, Commonwealth bodies are liable to pay fees. Subsection 14(1) of the *Auditor-General Act 1997* provides for the Auditor-General to determine a scale of audit fees. The fees paid by Commonwealth corporate entities and companies for financial statement audits are returned to the Official Public Account and are not available to the ANAO unless they relate to additional services.

In relation to audit fees, subsection 8(k) of the *Public Accounts and Audit Committee Act 1951* requires the Committee to consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*. Information relating to the methodology utilised to determine the ANAO level of fees is outlined below.

Charge-out-rates are used to determine the notional or actual audit fee in respect of financial statement audits and to report the cost of performance audits. The audit fees for financial statement audits of non-corporate Commonwealth entities are notionally calculated for information purposes and inclusion in the notes of the agency's financial statements. Other entities, mainly Commonwealth statutory authorities and companies, are required to pay audit fees. The ANAO will continue to consider the appropriateness of the current cost-recovery arrangements to ensure they best support the capacity of the office to support the delivery of its functions.

Consistent with government policy, the ANAO aims to establish charge-out-rates at a level sufficient to cost recover its activities over time. An hourly charge-out-rate is determined for each staff classification. The establishment of charge-out-rates is guided by a costing model that takes into account all relevant costs including the attribution of overhead costs and is designed to achieve full notional cost recovery of the ANAO operating budget. The basis of allocation of overhead costs is determined having regard to the nature of the expenditure and the charge-out-rate is calculated using an accrual-based costing model.

Given the delay in the 2020–21 Budget process, the Auditor-General decided that the 2019–20 charge out rates should be retained through 2020–21. The charge out rates will be revisited following the 2021 Budget.

Using the methodology outlined, the average hourly charge-out-rate for the ANAO in 2019–20, that also applied in 2020–21 is \$216.23, ranging from \$144.49 per hour for a junior auditor through to \$443.33 for a senior executive.

Service charter

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

2020–21 SES Remuneration

Table E.6: 2020–21 SES Remuneration consistent with remuneration bands set out in *RMG138 - Executive Remuneration Reporting*

Total remuneration bands	Number of senior executives	Short-term benefits			Post-employment benefits	Other long-term benefits		Termination benefits	Total remuneration
		Average base salary	Average bonuses	Average other benefits and allowances	Average superannuation contributions	Average long service leave	Average other long-term benefits	Average termination benefits	Average total remuneration
		\$	\$	\$	\$	\$	\$	\$	\$
\$220,000 or less	10	118,115	1,508	19,998	20,763	106	-	-	160,277
\$220,001- \$245,000	6	172,659	838	24,455	31,371	4,478	-	-	233,802
\$245,001- \$270,000	2	179,487	2,567	26,022	31,231	9,140	-	-	248,447
\$270,001- \$295,000	4	196,847	3,073	42,928	37,452	6,255	-	-	286,556

Note: This table has not been subjected to audit. It has been prepared using the same data as Note 2 in the audited Financial Statements, however it reflects the SES Remuneration bands set out in *RMG138 - Executive Remuneration Reporting*.

Abbreviations and acronyms

AASG	Assurance Audit Services Group
AAWP	annual audit work program
ACAG	Australasian Council of Auditors-General
AGD	Attorney-General's Department
AGO	Auditor General's Office (Papua New Guinea)
ANAO	Australian National Audit Office
APES	Accounting Professional and Ethical Standards
APS	Australian Public Service
ASAE	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASOSAI	Asian Organization of Supreme Audit Institutions
ASQC	Australian Quality Control Standard
BPK	Badan Pemeriksa Keuangan Republik Indonesia (Audit Board of the Republic of Indonesia)
CA ANZ	Chartered Accountants Australia and New Zealand
CFO	chief financial officer
COVID-19	coronavirus disease 2019
CPA	Certified Public Accountant
DFAT	Department of Foreign Affairs and Trade
DSS	Department of Social Services
DVA	Department of Veterans' Affairs
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
FIPP	Forum for INTOSAI Professional Pronouncements
GLS	Green Lease Schedule
GST	goods and services tax
ICT	information and communications technology
INTOSAI	International Organization of Supreme Audit Institutions
IPP	Institutional Partnerships Program
ISACA	the professional association for IT audit specialists
IT	information technology
JCPAA	Joint Committee of Public Accounts and Audit
MPR	Major Projects Report
NAIDOC	National Aborigines and Islanders Day Observance Committee
NABERS	National Australian Built Environment Rating System
NPP	New Policy Proposal
Nuix™	software platform for indexing, searching, analysing and extracting knowledge from unstructured data
PASAI	Pacific Association of Supreme Audit Institutions
PASG	Performance Audit Services Group
PBS	Portfolio Budget Statements

PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PNG	Papua New Guinea
PROSPERA	Australia–Indonesia Partnership for Economic Development program
PSM	Public Service Medal
PwC	PricewaterhouseCoopers — a professional services firm
RBA	Reserve Bank of Australia
SADA	Systems Assurance and Data Analytics Group
SAI	supreme audit institution
Saviom™	software used for resource planning, project portfolio management and workforce planning tools
SES	Senior Executive Service
SME	small and medium-sized enterprise
TeamMate™	software used as an audit management tool
TechnologyOne™	software system for financial management information
UN	United Nations
WHS	work health and safety

List of requirements

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

List of requirements

PGPA Rule reference	Description	Requirement	Page
17AD(g)	Letter of transmittal		
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the <i>Public Governance, Performance and Accountability Act 2013</i> (PGPA Act) and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii
17AD(h)	Aids to access		
17AJ(a)	Table of contents	Mandatory	v
17AJ(b)	Alphabetical index	Mandatory	129
17AJ(c)	Abbreviations and acronyms	Mandatory	121
17AJ(d)	List of requirements	Mandatory	123
17AJ(e)	Details of contact officer	Mandatory	iv
17AJ(f)	Entity's website address	Mandatory	iv
17AJ(g)	Electronic address of report	Mandatory	iv
17AD(a)	Review by accountable authority		
17AD(a)	A review by the accountable authority of the entity	Mandatory	1
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	A description of the role and functions of the entity	Mandatory	5
17AE(1)(a)(ii)	A description of the organisational structure of the entity	Mandatory	6
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity	Mandatory	6, 16
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan	Mandatory	i, 5, 6
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	iii, 5
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	5, 7
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	5
17AE(1)(b)	An outline of the structure of the portfolio of the entity	Portfolio departments — mandatory	N/A

PGPA Rule reference	Description	Requirement	Page
17AE(2)	Where the outcomes and programs administered by the entity differ from any portfolio budget statement, portfolio additional estimates statements or other portfolio estimates statements that were prepared for the entity for the period, include details of variation and reasons for change	If applicable, mandatory	N/A
17AD(c)	Report on the performance of the entity		
	<i>Annual performance statements</i>		
17AD(c)(i) 16F	Annual performance statements in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	16
17AD(c)(ii)	<i>Report on financial performance</i>		
17AF(1)(a)	A discussion and analysis of the entity's financial performance	Mandatory	36
17AF(1)(b)	A table summarising the total resources and total payments of the entity	Mandatory	105
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, mandatory	N/A
17AD(d)	Management and accountability		
	<i>Corporate governance</i>		
17AG(2)(a)	Information on compliance with section 10 of the PGPA Rule (fraud systems)	Mandatory	98
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	iii
17AG(2)(b)(ii)	A certification by accountable authority that the entity has in place appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud	Mandatory	iii
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	iii
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	82
17AG(2)(d)–(e)	A statement of significant issues reported to minister under paragraph 19(1)(e) of the PGPA Act that relate to noncompliance with finance law and action taken to remedy noncompliance	If applicable, mandatory	34

PGPA Rule reference	Description	Requirement	Page
<i>Audit committee</i>			
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee	Mandatory	86
17AG(2A)(b)	The name of each member of the entity's audit committee	Mandatory	86
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee	Mandatory	86
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings	Mandatory	86
17AG(2A)(e)	The remuneration of each member of the entity's audit committee	Mandatory	86
<i>External scrutiny</i>			
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	100
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, mandatory	N/A
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the PGPA Act), a parliamentary committee or the Commonwealth Ombudsman	If applicable, mandatory	100
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period	If applicable, mandatory	N/A
<i>Management of human resources</i>			
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	111
17AG(4)(aa)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including statistics on: <ul style="list-style-type: none"> • full-time employees • part-time employees • gender • staff location 	Mandatory	107
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including statistics on: <ul style="list-style-type: none"> • staffing classification level • full-time employees • part-time employees • gender • staff location • employees who identify as Indigenous 	Mandatory	108

PGPA Rule reference	Description	Requirement	Page
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	107–108
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements, etc. identified in paragraph 17AG(4)(c) of the PGPA Rule	Mandatory	107–108
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level	Mandatory	109
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees	Mandatory	110
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay	If applicable, mandatory	109
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level	If applicable, mandatory	109
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, mandatory	109
17AG(4)(d)(iv)	Information on aggregate amount of performance payments	If applicable, mandatory	109
<i>Asset management</i>			
17AG(5)	An assessment of effectiveness of asset management where asset management is a significant part of the entity's activities	If applicable, mandatory	114
<i>Purchasing</i>			
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules	Mandatory	114
<i>Reportable consultancy contracts</i>			
17AG(7)(a)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on those ongoing contracts (inclusive of GST)	Mandatory	114
17AG(7)(b)	A statement that 'During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].'	Mandatory	114
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	115

PGPA Rule reference	Description	Requirement	Page
17AG(7)(d)	A statement that 'Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.'	Mandatory	115
Reportable non-consultancy contracts			
17AG(7A)(a)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST)	Mandatory	115
17AG(7A)(b)	A statement that 'Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.'	Mandatory	116
17AD(daa)	Additional information about organisations receiving amounts under reportable consultancy or non-consultancy contracts		
17AGA	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts	Mandatory	115, 116
Australian National Audit Office access clauses			
17AG(8)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	If applicable, mandatory	N/A
Exempt contracts			
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published on AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters	If applicable, mandatory	N/A
Small business			
17AG(10)(a)	A statement that '[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise and small enterprise participation statistics are available on the Department of Finance's website.'	Mandatory	114

PGPA Rule reference	Description	Requirement	Page
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium-sized enterprises	Mandatory	114
17AG(10)(c)	If the entity is considered by the department administered by the Finance Minister as material in nature — a statement that '[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small business are available on the Treasury's website.'	If applicable, mandatory	114
Financial statements			
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the PGPA Act	Mandatory	5050
Executive remuneration			
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the PGPA Rule	Mandatory	66, 108
17AD(f) Other mandatory information			
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that 'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'	If applicable, mandatory	116
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, mandatory	116
1187AH(1)(b)	A statement that 'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'	If applicable, mandatory	117
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	118
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	118
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, mandatory	108
17AH(2)	Information required by other legislation	Mandatory	118, 119

Index

A

accountable authorities, 10, 88
accountable authority, 16, 23, 24
Acts
 Auditor-General Act 1997, iii, iv, 5, 8, 17, 18, 22, 25, 46, 82, 95, 96, 100, 119
 Bankruptcy Act 1966, 21, 22
 Corporations Act 2001, 35, 103
 Environment Protection and Biodiversity Conservation Act 1999, 19, 117
 Fair Work Act 2009, 90
 Freedom of Information Act 1982, 114, 118
 Public Accounts and Audit Committee Act 1951, 5, 8, 119
 Public Governance, Performance and Accountability Act 2013, iii, iv, 5, 16, 21, 82, 105, 114
 Public Service Act 1999, 5, 6, 82, 92, 108
 Work Health and Safety Act 2011, 92, 118
advertising, 101, 116, 117
ANAO Audit Committee, 82, 86–87
ANAO Corporate Plan, iv, 88, 95
 performance measures, 20–35
annual audit work program, 18, 19, 27, 33, 45, 46, 87, 88
annual performance statements, iv, 16, 18, 87
ASG Group Limit, 116
Assurance Audit Services Group, 6, 83, 111
assurance audits, 17, 19
auditing standards, 11, 30
 ANAO, 17, 19, 95, 96, 98
AusTender, 100, 114, 115, 116
Australasian Council of Auditors-General, 10
Australia–Indonesia Partnership for Economic Development, 13
Australian accounting standards, 11, 19, 21
Australian Parliament, 8

B

Boyce Chartered Accountants, 86

C

Chartered Accountants Australia and New Zealand, 11, 111
Chief Finance Officer, 83, 100
chief financial officers, 10
committees
 audit, 10, 24, 29, 86

audit, 10
audit, 47
 Finance Committee, 84
 Information Technology Strategic Committee, 84
 parliamentary, iv, 36
 People and Change Committee, 83
 Qualifications and Technical Advisory Committee, 84
 Quality Committee, 83
 Remuneration Committee, 84
 Security Committee, 84
 Senate Standing Committees, 19
 Ways of Working Steering Committee, 84
 Weekly Operational Committee, 84
 Work Health and Safety Committee, 84
Commonwealth Procurement Rules, 114, 115
Consolidated Financial Statements, 17, 20, 21, 22, 23
consultancies, 114
consultants, 47, 101, 115
contractors, 47, 90, 98
Corporate Management Group, iv, 6, 83, 90, 99, 111
COVID-19, 10, 12, 13, 41
 audits, 18
 delays, 27
 engagements, 11
 measures, 46
 pandemic, 8, 12, 91
 partnership program, 13
 pastoral care, 113
 response, 18, 19, 25, 26, 35, 49, 92, 97
 responses, 12
 restrictions, 10, 13
 review, 98
 risks, 32
 uncertainty, 112
 workplace risks, 92
CPA Australia, 11, 111

D

Deloitte Touche, 115, 116
Disability Employment Strategy, 118
disability reporting, 118
diversity, 89
 contact officers, 113

E

employee assistance program, 110, 113
employee census, 112
employment, 90
 arrangements, 92
 contract, 107
 diversity, 89
 framework, 108
 national standards, 90
 outside, 99
 people, 89
 salary information, 89
 strategy, 118
 type, 108
enterprise agreement, 90, 92, 100, 107, 108, 111
entity resource statement, 49, 105
Ernst and Young, *115, 116*
estimates hearings, 19, 31
expenses
 audit fees, 46
 Auditor-General's, 119
 by outcome, 105, 106
 disclosure, 99
 employee, 47
 operating, 28, 46
 total, 47, 49
external scrutiny, 100

F

financial law compliance, 114
financial statements, 50–81
 annual, 17
 auditing standards, 19, 96
 audits, 16, 32, 88, 93
 Australian Government entities, 6
 Commonwealth entities, 5
 independent audit, *100*
 mandated audits, 21
 performance measures, 19
 primary purpose, 19
 reports to the Parliament, 20
 required timeframe, 23
freedom of information, 118

G

gifts and benefits, 98, 99, 119

H

health and wellbeing, 112

I

Indonesia, 11, 12
 ANAO deployee, 12
intern program, 111
internal audit, 92, 95, 97, 98
international aid program, 12
international relationships, 11
ISACA, 111

J

JCPAA, 5, 8, 19, 30, 33, 34, 46, 88, 100
 inquiries and reports, 9

K

KPMG, *115, 116*

L

LearnFest, 112

M

Major Projects Report, 7, 25
market research, 101, 116, 117

N

NAIDOC Week, 112
National Disability Insurance Agency, 18
National Disability Insurance Scheme, 25
National Disability Strategy, 118

O

ORIMA Research, *115*

P

Papua New Guinea, 10, 11, 12, 13
 ANAO deployee, 12
 Institutional Partnerships Program, 13
Performance Audit Services Group, 6, 7, 11, 83, 111
performance audits, 16, 17, 19, 25, 26, 27, 32, 35, 88
 area for improvement, 32
 Auditor-General's functions, 6
 contract staff, 116
 costs, 119
 COVID-19, 18
 duration, 27
 matters arising from, 32
 number of staff, 28
 priorities of the Parliament, 100
 professional skills, 115
 progress reviews, 31
performance measures, iv, 16, 18, 30, 20–35, 87
Price Waterhouse, *86, 116*

procurement

- AusTender, 100
- initiatives, 116
- management, 19
- plan, 114
- practices, 116
- principles, 98
- rules, 114, 115, 116

productivity, 92

professional qualifications, 111

Professional Services and Relationships Group, 6, 31, 83, 97

PROSPERA, 13

Public Governance, Performance and

Accountability (Financial Reporting) Rule, 21

Public Governance, Performance and

Accountability Rule, iii, iv, 16, 18, 99

purchasing and procurement, 101, 114

Q

quality framework, 32, 33, 83, 90, 95, 96, 97

Queensland Audit Office, 13

R

risk management, iv, 19, 82, 97, 119

Risk management framework, 97

RSM Bird Cameron, 115

S

salary ranges, 108, 109, 126

staff engagement, 111–13

Staff engagement, 112

strategic planning, 82, 85, 87, 97

surveys, 10, 11

Systems Assurance and Data Analytics Group, 6, 83

T

talent management program, 89, 112

Tonga

mentoring program, 10

mentoring sessions, 11

Office of the Auditor General, 10

training requirements, 90

transparency, iv, 5, 10, 16, 18, 20, 21, 22, 25, 34, 35, 82, 83, 95, 99, 103

W

waste, 118

work health and safety, 84, 101, 118

workforce, 89–92

culture, 94

information, 107–10

planning, 47

recruitment, 47

