

The Auditor-General
Audit Report No.14 2008–09
Financial Statement Audit

**Audits of the Financial Statements of
Australian Government Entities for the
Period Ended 30 June 2008**

Australian National Audit Office

© Commonwealth
of Australia 2005

ISSN 1036-7632

ISBN 0 642 81045 1

COPYRIGHT INFORMATION

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration,
Attorney-General's Department,
Robert Garran Offices,
National Circuit
Canberra ACT 2600

<http://www.ag.gov.au/cca>



Canberra ACT
17 December 2008

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken audits of the financial statements of Australian Government entities and examinations and inspections of the accounts and records of those entities in accordance with the authority contained in the contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present this report and the accompanying brochure. The report is titled *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2008*.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name and title.

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:

The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

ANAO audit reports and information about the ANAO are available at our internet address:

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

Contents

Abbreviations.....	7
Foreword	10
Summary	14
Overview	14
Summary of audit findings and related issues	14
1. Financial Reporting and Auditing Frameworks	16
Introduction	16
Public sector accounting standards	17
Conclusion	26
2. Results of the Audit of the Consolidated Financial Statements of the Australian Government	27
Background	27
Australian Government's Financial Outcome for 2007–08	27
Audit Report	31
Significant Disclosures in the CFS	31
Accounting Issues	34
Future Directions for the CFS	35
3. Summary of Audit Results and Related Issues	36
Audit approach	36
Classification of Entities	37
Summary of the audit results	39
Summary of other audit findings	40
Preparation of entity financial statements	42
Audit Committees	44
Certificate of Compliance	46
Machinery of Government Changes	49
The Management of Drawing Rights	51
The impact of movements in financial markets on financial reports	53
4. Results of Financial Statements Audits by Portfolio	55
Agriculture, Fisheries and Forestry Portfolio	57
Attorney-General's Portfolio	62
Broadband Communications and the Digital Economy Portfolio	76
Education, Employment and Workplace Relations Portfolio	103
The Environment, Water, Heritage and the Arts Portfolio	110
Families, Housing, Community Services and Indigenous Affairs Portfolio	120
Finance and Deregulation Portfolio	129
Foreign Affairs and Trade Portfolio	139
Health and Ageing Portfolio	147

Human Services Portfolio	156
Immigration and Citizenship Portfolio	164
Infrastructure, Transport, Regional Development and Local Government Portfolio	172
Innovation, Industry, Science and Research Portfolio	179
Parliamentary Departments	186
Prime Minister and Cabinet Portfolio	189
Resources, Energy and Tourism Portfolio	195
Treasury Portfolio	200
Appendices	217
Appendix 1: Mandate Changes in 2007–08	219
Appendix 2: The Financial Reporting Framework	220
Appendix 3: The Accounting and Auditing Standards Frameworks	226
Appendix 4: Number of audit findings.....	227
Series Titles.....	231
Current Better Practice Guides	233

Abbreviations

AAO	Administrative Arrangements Order
AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
AEIFRS	Australian Equivalents to International Financial Reporting Standards
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
AOFM	Australian Office of Financial Management
ASA	Australian Auditing Standard
ATO	Australian Taxation Office
AUASB	Australian Auditing and Assurance Standards Board
BCM	Business Continuity Management
BCP	Business Continuity Plan
CAC Act	Commonwealth Authorities and Companies Act 1997
CEIs	Chief Executive's Instructions
CE	Chief Executive
CFO	Chief Finance Officer
CSA	Child Support Agency
Customs	Australian Customs Service
DMO	Defence Materiel Organisation

DAFF	Department of Agriculture, Fisheries and Forestry
DBCDE	Department of Broadband, Communications and the Digital Economy
DCC	Department of Climate Change
DCITA	Department of Communications, Information Technology and the Arts
Defence	Department of Defence
DEEWR	Department of Education, Employment and Workplace Relations
DEWHA	Department of Environment, Water, Heritage and the Arts
DFAT	Department of Foreign Affairs and Trade
DIAC	Department of Immigration and Citizenship
Infrastructure	Department of Infrastructure, Transport, Regional Development and Local Government
DIISR	Department of Innovation, Industry, Science and Research
DoHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
Finance	Department of Finance and Deregulation
FMA Act	Financial Management and Accountability Act 1997
FMIS	Financial Management Information System
FMOs	Finance Minister's Orders
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGS	General Government Sector

HRMIS	Human Resources Management Information System
IT	Information Technology
JCPAA	Joint Committee of Public Accounts and Audit
PM&C	Department of the Prime Minister and Cabinet
RET	Department of Resources, Energy and Tourism
Treasury	The Department of Treasury

Foreword

Each year I report the results of the Australian National Audit Office's (ANAO) annual financial statement audit work to the Parliament in two reports. This report provides the final results of the audit of the financial statements of all Australian Government entities and the Consolidated Financial Statements of the Australian Government, for the financial year ended 30 June 2008. The results of the interim phase¹ of the audits of significant entities were reported in Audit Report No.44 2007–08, *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the year ended 30 June 2008*.² These reports also discuss contemporary issues and practices impacting on public sector entities' financial reporting responsibilities, and the ANAO's responsibilities.

The preparation of audited financial statements in compliance with the Finance Minister's Orders³ is a key element of the financial management and accountability regime applicable to Australian Government entities. It is generally accepted in both the private and public sectors that a good indicator of the effectiveness of an entity's financial management is the timely finalisation of its annual financial statements, accompanied by an unmodified audit opinion. Australian Government entities in cooperation with the ANAO devote considerable effort to achieving timeliness in financial reporting.

The audit report on the 2007–08 Consolidated Financial Statements (CFS) of the Australian Government was issued on 28 November 2008. The audit report expressed the opinion that the financial statements gave a true and fair view of the Australian Government's financial position as at 30 June 2008 and its operations and cash flows for the year then ended. A similar opinion was expressed on the 2006–07 financial statements.

¹ The interim audit phase is directed towards the audit of key financial controls and processes within entities.

² The 26 agencies covered in Audit Report No.44 2007–08 represent approximately 95 per cent of total General Government Sector revenues and expenses.

³ The Finance Minister's Orders (FMOs) made by the Minister for Finance and Administration set out the requirements for the preparation of financial statements of all reporting entities covered by the *Finance Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*.

The CFS records a surplus attributable to the Australian Government of \$18.9 billion and a positive net asset position of \$67.6 billion. The CFS also includes disclosures of events after balance date relating to the effect of the current economic environment on the Australian Government's 30 June 2008 financial position. The CFS identifies a number of significant balance sheet items that are exposed to movements in market conditions, and which could have a material impact on the Australian Government's future financial position. The CFS also provides details of the expected financial impact of recent Government announcements in response to current economic conditions.

Further progress has been made by the Australian Government towards the goal of a single audited set of whole of government financial statements that report the Government's performance against its budget targets. The financial statements in the 2008–09 Budget Papers and the 2007–08 Final Budget Outcome were largely based on the new accounting standard AASB 1049 *Whole of Government and General Government Sector Reporting*. This resulted in a single set of financial statements, replacing the three different presentations used in previous years. This is a very positive development to improve the understandability of the Government's budget papers and financial reports. While the Government has not made a final decision on the adoption of AASB 1049 for the CFS, developments to date are encouraging. Both Tasmania and the Northern Territory fully adopted AASB 1049 for 2007–08 and there is an expectation that the governments of the remaining states and territories, and the Australian Government, will implement the full requirements of the standard for 2008–09.

While a number of entities have continued to experience difficulty in meeting the deadlines for the submission of audit cleared financial information to the Department of Finance and Deregulation (Finance),⁴ the percentage of material entities that met the deadline increased from 76 per cent in 2006–07 to 85 per cent in 2007–08. The percentage of non-material entities that met the deadline remained relatively constant with 57 per cent meeting the deadline in 2007–08 compared with 59 per cent in 2006–07.

⁴ For 2007–08, the 73 material entities were required to submit audit cleared information to Finance by 15 August 2008 (15 August in 2006–07) and non-material entities were required to submit audit cleared information by 31 August 2008 (30 August in 2006–07).

Consistent with the trend in relation to the results of the interim phase of the audit of entities' 2007–08 financial statements, there was a reduction in the number and significance of issues arising from the final phase of the 2007–08 financial statements audits. Issues that are common across a number of entities that were identified in the final audit phase were in respect of: controls in entities' IT environments, such as system access controls; the segregation of duties, particularly in Financial Management Information Systems; data integrity controls in key business and financial systems; and financial statement preparation processes.

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

The importance of public sector entities' legislative compliance was reinforced by a Government decision that, commencing from 2006–07, Chief Executives of each FMA agency are required to provide an annual Certificate of Compliance (CoC) with specified elements of the financial management framework. The Directors of GGS CAC Act authorities and wholly-owned companies are also required to provide an annual report on compliance with relevant aspects of CAC Act legislation.

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

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

Finally, I would like to acknowledge the professionalism and commitment of my staff in finalising the audits of some 233 entities' financial statements in the tight timeframes required. This work has enabled the tabling of this report in a timely manner for the information of the Parliament. I would also like to acknowledge the important role that Audit Committees, Chief Financial Officers and other entity staff involved in financial statement preparations continue to play. Their efforts in providing information and assistance to my audit staff were much appreciated.

Ian McPhee
Auditor-General

Summary

Overview

1. The *Auditor-General Act 1997* establishes the mandate for the Auditor-General to undertake financial statement audits of all Commonwealth entities including those of government agencies, statutory authorities and government business enterprises.
2. Financial statement audits are an independent examination of the financial accounting and reporting of public sector entities. The results of the examination are presented in an audit report, which expresses the auditor's opinion on whether the financial statements as a whole and the information contained therein fairly present each entity's financial position and the results of its operations and cash flows. The accounting treatments and disclosures reflected in the financial statements by the entity are assessed against relevant accounting standards and legislative reporting requirements.
3. In addition to undertaking financial statement audits, the ANAO tables two reports annually addressing the outcomes of the financial statement audits of public sector entities. The first of these, *Audit Report No.44 2007–08 Interim Phase of the Audit of Financial Statements of General Government Sector Entities for the Year Ending 30 June 2008*, outlined details of the ANAO's assessment of audit findings relating to the internal controls of major agencies, including governance arrangements, information systems and control procedures. The findings summarised in that report are the results of the interim phase of the financial statement audits of significant Australian Government reporting agencies.
4. This report complements the interim phase report referred to above, and provides a summary of the final audit results of the audits of the financial statements of all Australian Government entities, including the Consolidated Financial Statements for the Australian Government.
5. The audit findings in this report have been reported to the management of each entity, and to the responsible Minister(s).

Summary of audit findings and related issues

6. The ANAO is responsible for the audit of the financial statements of all the Australian Government entities. For the 2007–08 financial year, the ANAO

issued 233 unmodified audit opinions (clear opinions); no qualified audit opinions; and one audit report containing 'other legal and regulatory requirements'. This result is consistent with the trend over recent years that have seen an overall reduction in the number of audit opinions that have been qualified. At the date of this report, the audit of 14 financial statements has not been finalised.

7. In addition to the four newly established departments as a result of the Machinery of Government changes, the Auditor-General became the auditor of 12 new entities.

8. During 2007–08 the Auditor-General ceased to be the auditor of eight entities for the following reasons:

- three entities ceased to be owned or controlled by the Commonwealth;
- four entities ceased to exist; and
- one entity went into liquidation and was subsequently deregistered.

9. Details of these entities are detailed at Appendix 1.

REPORT STRUCTURE

10. The report is organised as follows:

- Chapter One - Financial Reporting and Auditing Frameworks: provides commentary on recent developments in the financial reporting and auditing frameworks under which the Australian Government and its reporting entities operate.
- Chapter Two - Results of the Audit of the Consolidated Financial Statements of the Australian Government: provides details of the audit of the Consolidated Financial Statements for 2007–08.
- Chapter Three - Summary of Audit Results and Related Issues: summarises the final results of audits of the financial statements, and provides commentary on aspects of the operation of audit committees; the 2007–08 Certificate of Compliance process; Machinery of Government changes; the management of drawing rights; and the impact of movements in financial markets on financial reports.
- Chapter Four - Results of Financial Statements Audits by Portfolio: provides the results of individual financial statement audits including any additional significant or moderate control matters identified since Audit Report No.44 2007–08.

1. Financial Reporting and Auditing Frameworks

This chapter provides commentary on recent developments in the financial reporting and auditing frameworks under which the Australian Government and its reporting entities operate. The frameworks are illustrated at Appendices 2 and 3 of this Report.

Introduction

1.1 The Australian Government's financial reporting framework consists, in large part, of standards made independently by the Australian Accounting Standards Board (AASB). This framework is designed to be relevant to the needs of users for decision-making and accountability.

1.2 Recent developments such as emissions trading and valuation issues relating to thinly traded securities reinforce the importance of ongoing standards development.

1.3 The significant change during 2007–08 was the introduction of a standard for financial instruments, AASB 7 *Financial Instruments: Disclosures*. Essentially, the standard enhanced disclosure requirements, including qualitative and quantitative disclosures about the risks of holding financial instruments. In this chapter, we comment on the implementation of the standard in the Australian Government entities most affected.

1.4 This chapter also covers progress being made in relation to the ongoing development and implementation of standards and concepts for financial reporting in the public sector. These matters include the introduction of financial reporting harmonised with Government Finance Statistics, the development of standards for reporting by small and medium-sized entities, the AASB's short-term project on accounting for grants and the financial reporting of social obligations of governments.

1.5 The ANAO's auditing framework is the set of standards made by the Australian Auditing and Assurance Standards Board (AUASB). This chapter also outlines progress being made in redrafting and revising these standards to achieve greater clarity, following the similar steps taken by the AUASB's international equivalent, the International Auditing and Assurance Standards Board (IAASB).

Public sector accounting standards

Reporting financial risks of the Australian Government

1.6 Australian Accounting Standard AASB 7 *Financial Instruments: Disclosures* was implemented in the 2007–08 financial year.⁵ It applies to all reporting entities within Australia, including Australian Government entities. Its purpose is to allow users to evaluate the significance of an entity's financial instruments, the risks arising from those instruments and how those risks are being managed.

1.7 The standard prescribes quantitative and qualitative disclosures about entities' exposure to risks arising from financial instruments, and minimum disclosures of credit risks, liquidity, and market risks. Examples of the disclosures required are:

- the carrying amounts and fair value of financial instruments, by category;
- net gains and losses on financial assets;
- the time period in which financial liabilities are due for payment; and
- reasonably possible changes in value due to market movements, such as in foreign exchange or interest rates.

1.8 The global economic crisis is adversely affecting the financial position of reporting entities in both the private and public sectors. In these circumstances, the financial risk disclosures of AASB 7 become particularly important. The ANAO has therefore focussed audit effort on those entities with significant holdings of financial instruments or exposure to financial risk.

1.9 As part of the audit of the 2007–08 financial statements the ANAO assessed entities' implementation of AASB 7 in enhancing the financial risk disclosures in Australian Government financial statements. Entities had effectively managed the implementation of AASB 7. Entities such as the Australian Office of Financial Management, Reserve Bank of Australia and the Future Fund, with significant holdings of financial instruments, focussed on the requirement of the new standard well before year end and had agreed their

⁵ AASB 7 *Financial Instruments: Disclosures* and all other Australian Accounting Standards can be located on the AASB website <www.aasb.com.au> [Accessed 10 December 2008].

approach to the new standard with senior management and the ANAO prior to the end of the financial year.

Emissions trading

1.10 The Australian Government has made a commitment to introduce emissions trading in 2010.⁶ While the government has outlined the proposed operation of the scheme, there is still much work to be done to determine the accounting implications for both the government and the entities subject to the scheme.

1.11 Internationally, the International Accounting Standards Board (IASB) is progressing a project which addresses accounting for all tradeable emission rights and obligations arising from all types of emission trading schemes. The IASB is to release an exposure draft in 2009, with a plan to issue a final standard in 2010; it is likely that this would not be implemented in Australia until 2011–12 at the earliest.

1.12 The AASB plans to issue a paper outlining the alternative approaches for accounting for emission trading rights, covering both regulatory bodies and entities subject to the scheme. However, it has decided to await the outcome of the IASB's project before proceeding with an accounting pronouncement for application in Australia.

1.13 As the emissions trading scheme is planned to start in 2010, and it is likely that there will be no Australian accounting pronouncement available at that time, it is important that relevant Australian Government entities consider how to account for transactions under the scheme. The Department of Finance and Deregulation and the ANAO are currently discussing possible accounting treatments in anticipation of the introduction of the Australian emissions trading scheme.

GAAP/GFS harmonisation

1.14 The Australian Government currently prepares two separate financial reports each year: the Final Budget Outcome (FBO) and the Consolidated Financial Statements (CFS). These year-end reports have been generated, in the main, using the same underlying data. However, they have been prepared

⁶ The Australian Government has released a Green Paper which outlines the Emission reductions scheme. This paper can be located on the Department of Climate Change website <www.climatechange.gov.au> [Accessed 10 December 2008].

under different frameworks: the FBO has been prepared mainly in accordance with the Government Financial Statistics (GFS) framework of the Australian Bureau of Statistics; the CFS is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The CFS is audited annually by the ANAO, while the FBO is not currently audited.

1.15 While GFS and GAAP share some similarities, there are also differences. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* was released in 2007 with the objective of harmonising GFS and GAAP reporting.

1.16 AASB 1049 will apply to the Australian Government from the financial year ended 30 June 2009. Key requirements of the standard include:

- application of other Australian Accounting Standards, except as specifically varied;
- application of the principles and rules in the Australian Bureau of Statistics' GFS manual⁷ where they do not conflict with GAAP;
- reporting, on the face of the primary statements, of specified key fiscal aggregates⁸ used in GFS, measured in accordance with GAAP;
- where the measurement of a key fiscal aggregate using the GFS basis differs, a reconciliation between the GAAP and GFS measures;
- presentation of original budgeted financial statements and explanations of major variances between budget and actuals, but only where the budgeted financial statements are tabled in Parliament;
- production of a separate financial report for the General Government Sector⁹; and
- in the whole of government report, presentation of key fiscal aggregates and other financial information by GFS sector.

⁷ Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005, (latest issue released 31 July 2006), available on the ABS website www.abs.gov.au.

⁸ The key fiscal indicators required by AASB 1049 are: net worth; net operating balance; total change in net worth (before transactions with owners); net lending/borrowing; and cash surplus/deficit.

⁹ Government Finance Statistics divides the whole of government into three sectors: general government, public financial corporations and public non-financial corporations. The general government sector essentially includes all government units not providing goods and services for the market.

1.17 The Australian Government has adopted many elements of AASB 1049 in its FBO for 2007–08, although it has not made a final decision on the adoption of the standard for the CFS. Full adoption of AASB 1049 would result in the availability to the Parliament and the public, for the first time, of a single audited set of whole of government financial statements that report the government’s performance against its budget targets in accordance with Australian Accounting Standards.

1.18 Tasmania and the Northern Territory fully adopted AASB 1049 for 2007–08 and there is an expectation that the remaining states and territories and the Australian Government will implement the full requirements of the standard for 2008–09.

1.19 AASB 1049 raises a number of issues for audit offices relating to auditing of GFS measurements and explanations for variances between budget and actual figures. In particular, a detailed understanding of the GFS framework and how it differs from GAAP will need to be developed. These issues will increase demands on the ANAO in terms of skills and resources.

Accounting Standards for Small and Medium-sized Entities (SMEs)

1.20 There is an increasing volume of financial reporting requirements for reporting entities within Australia. While requirements are increasing, it is important at the same time to explore opportunities to reduce the reporting burden for smaller public sector entities, whilst preserving their accountability and quality to meet the needs of users, particularly the Parliament.

1.21 The AASB is currently engaged in a project to develop a stand-alone accounting standard with simplified reporting requirements for small to medium sized entities.

1.22 This project commenced with the release of ITC 12 *Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of A Proposed IFRS for Small and Medium-sized Entities* (IFRS for SMEs). This paper was developed from the IASB work intended solely for for-profit entities. The AASB has taken this work and expanded the scope to encompass not-for-profit and public sector entities.

1.23 Responses received found a general consensus across all sectors for the need to reduce the reporting burden for SMEs in Australia. The AASB have tentatively decided on a two tier approach to the not-for-profit public sector. The first tier would require that financial reporting at federal, state and

territory level apply full IFRS, as applied in Australia. The second tier would provide for all other public sector entities to apply either full IFRS as applied in Australia, IFRS for SMEs as adopted in Australia or a regime of full IFRS recognition and measurement requirements with limited specified disclosure which are yet to be determined by the AASB.¹⁰

1.24 The AASB has also agreed that each jurisdiction will determine which reporting regime will apply to its not-for-profit entities. In the Australian Government's case, it would be the Finance Minister who would determine the policy for Australian Government not-for-profit entities.

AASB review of its public sector-specific standards

1.25 The AASB, through its Public Sector Policy Paper, has set out the priorities and timetable for its review of public sector-specific standards.¹¹

1.26 As the first phase of this project, the AASB has moved, where possible, the requirements of government specific standards into existing standards that apply to all reporting entities.¹² Where those requirements could not be placed into existing standards, three new topic-based standards were developed to apply to public sector entities. The new standards relate to administered items, land under roads and disaggregated disclosures. All three apply from 2008–09.

1.27 The second phase of the project is to review the content of the requirements that have been relocated. For example, the AASB will be looking closely at accounting for administered investments by government agencies. The AASB considers that this accounting raises some fundamental conceptual issues relating to users' needs, the concept of control in the public sector, and the reporting entity concept.

1.28 The AASB has also been considering the definition of not-for-profit entities. Internationally, there is no standard definition of a not-for-profit entity; different jurisdictions have different requirements. The AASB provides a definition, but no guidance on how this definition is to be applied. The lack

¹⁰ AASB Action Alert 114 (23 May 2008) available at <www.aasb.com.au> [Accessed 10 December 2008].

¹¹ The AASB Public Sector Policy Paper (as at February 2008) can be found on the AASB website <www.aasb.com.au> [Accessed 10 December 2008].

¹² The standards that were relocated to either existing or new topic-based standards were AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments*, and AAS 31 *Financial Reporting by Governments*.

of guidance means there is some risk of entities similar in nature applying the definition in different ways, leading to inconsistent financial reporting.

1.29 In response to these concerns, the AASB released ITC 14 *Proposed Definition and Guidance for Not-for-Profit Entities*, which proposed adoption of the New Zealand definition of guidance for 'public benefit entities'.¹³

1.30 As a result of the comments received, the AASB decided to retain the current definition of not-for-profit entity.¹⁴ The AASB is now developing guidance based on a wide range of international sources to enhance the consistent application of the definition.

1.31 The ANAO closely follows the progress of the AASB in relation to public sector specific issues under consideration. We recently wrote to the AASB regarding its project on income from non-exchange transactions, including tax revenue and grants. This project is focussing on accounting by grant recipients. We have also asked that the AASB further expand this project, as a high priority, to include looking at accounting for grants from the perspective of the grantor. Given the significant levels of grant funding provided by the Australian Government, we see this as an important issue. The AASB will decide whether to proceed with this issue at a later stage.¹⁵

1.32 The AASB has also commenced work on requirements for not-for-profit public sector entities in relation to related party disclosures.¹⁶ The Australian Accounting Standard on related party disclosures currently applies only to the for-profit sector. The development of requirements for public sector entities, including disclosure of ministerial and executive remuneration, would increase the transparency of financial reporting at both the entity and whole of government level. A new or revised standard is expected to be released in 2010.

¹³ 'Public benefit' entities are defined in the New Zealand Standard NZ IAS 1 *Presentation of Financial Statements* as 'reporting entities whose primary objective is to provide goods or services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than financial return to equity holders.

¹⁴ 'Not-for-profit' entities are defined in paragraph Aus6.1 of AASB 116 *Property, Plant and Equipment* 'an entity whose principal objective is not the generation of profit. A not-for-profit entity can be a single entity or a group of entities comprising the parent and each of the entities that it controls.

¹⁵ AASB Minutes from meetings held on Wednesday 30 July and Thursday 31 July 2008, available at <www.aasb.com.au> [Accessed 10 December 2008].

¹⁶ AASB Action Alert 116 (4 August 2008) available at <www.aasb.com.au> [Accessed 10 December 2008].

1.33 We also note that the AASB has taken a lead from the International Public Sector Accounting Standards Board (IPSASB) in commencing work on the reporting of the long-term obligations of governments in providing social benefits to the community. Invitation to Comment ITC 15 Request for comment on IPSASB Exposure Draft ED 34 *Social Benefits: Disclosures of Cash Transfers to Individuals or Households* and IPSASB Consultation Paper *Social Benefits: Issues in Recognition and Measurement*, address these issues. The ANAO concurs with the view of the AASB that the reporting of social benefits should be considered in conjunction with the development of a conceptual framework for the public sector.¹⁷

Conceptual frameworks for accounting standards

1.34 AASB standards comprise mainly Australian equivalents to International Financial Reporting Standards (IFRS) developed by the IASB. The conceptual framework that underpins AASB standards is also largely based on the IASB's conceptual framework.

1.35 The IASB conceptual framework is currently under review by the IASB in partnership with the United States Financial Accounting Standards Board (FASB). The objective of the review is to develop a common framework that provides a sound foundation for developing future accounting standards. This is intended to lead to more useful financial reports for potential investors, creditors and others who are in the position of making resource allocation decisions.

1.36 The project consists of eight phases, of which four had commenced by December 2008.¹⁸ The IASB has a timetable to release discussion papers and exposure drafts over the duration of the project, culminating in a final framework document to be released in 2012.

1.37 The project has a focus on for-profit entities only. It is only in the latter stages of the project that the applicability of the framework to other entities will be considered. As a result, the IPSASB, in conjunction with the AASB and other national accounting standards boards, has embarked on a separate project for developing a Public Sector Conceptual Framework. While this

¹⁷ AASB Action Alert 115 (27 June 2008) available at <www.aasb.com.au> [Accessed 10 December 2008].

¹⁸ Of the eight phases, the following phases have commenced: objectives and qualitative characteristics; elements and recognition; measurement; and reporting entity. Phases yet to be commenced are: presentation and disclosure, including financial reporting boundaries; framework purpose and status in GAAP; applicability to the not-for-profit sector; and other remaining issues.

project will consider similar issues to those addressed by the IASB, the emphasis will be on financial reporting by public sector entities.

Reporting compliance with the Government's Financial Management Framework

ANAO auditing of compliance

1.38 The ANAO continues to focus on legislative compliance as part of its financial statements audit coverage. Annual and special appropriations, annotated appropriations, special accounts and the investment of public monies are covered using targeted work programs.

1.39 The ANAO's annual performance audit work program also includes a compliance focus, usually with the inclusion of audits that continue the ANAO's examination of aspects of the Australian Government's financial framework. Due to reforms (known as "Operation Sunlight") being introduced by the Government in order to improve the quality and transparency of its budget and financial reporting, none of these compliance audits are currently scheduled for 2008–09. They will be re-introduced to the annual work program in 2009–10 after changes from Operation Sunlight are finalised.

Changes to Financial Management Legislation

1.40 The *Commonwealth Authorities and Companies Amendment Act 2008* received Royal Assent on 26 May 2008. As mentioned in Audit Report No.44 of 2007–08, this Act updated the principal Act to take account of amendments to, and to harmonise specific penalty provisions with, the *Corporations Act 2001*, and to enhance the accountability of Commonwealth companies.

1.41 The *Financial Framework Legislation Amendment Act 2008* received Royal Assent on 20 September 2008. It makes a number of amendments to clarify and simplify provisions of the *Financial Management and Accountability Act 1997* (FMA Act). It also adds specific provisions in relation to audit committees. The FMA Act now specifies two of the functions of an audit committee, these being to help the agency to comply with its legislative obligations under the financial framework and to provide a forum for communication between the agency's auditors, its Chief Executive and senior management.

Developments in Australian Auditing Standards

1.42 Section 24 of the *Auditor-General Act 1997* requires the Auditor-General to set auditing standards to be complied with by persons performing ANAO audits.

1.43 The ANAO Auditing Standards incorporate, by reference, the current versions of the standards set by the AUASB for the auditing of financial statements ('Australian Auditing Standards' or 'ASAs'). Therefore, audits conducted by the ANAO are bound by the same standards as those applying to the broader auditing profession in Australia.

1.44 The AUASB uses International Standards on Auditing (ISAs) as the basis for making Australian Auditing and Assurance Standards. ISAs are made by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

1.45 The IAASB is currently undertaking a project to improve the clarity of its standards. Exposure drafts for all standards to be revised and redrafted have been issued and comments received. This 'clarity' project is expected to be completed by the end of 2008. The clarified standards are to be effective for audits of financial statements for periods beginning on or after 15 December 2009.

1.46 In response to the work being undertaken by the IAASB, ASAs will also be revised and reissued based on the new clarity format versions of the ISAs. The AUASB states this project will ensure the revised Australian standards will continue to conform to ISAs (while maintaining enforceability under Australian regulatory arrangements e.g. the *Corporations Act 2001*). It is expected that revised standards will be approved by October 2009 and be operative for audits of financial statements in Australia for periods beginning on or after 1 January 2010.

1.47 To date, 20 of an expected 40 exposure drafts have been released for comment. In addition to being redrafted for clarity, most incorporate new mandatory requirements. These changes are expected to increase significantly the ANAO's financial statement audit effort. In the case of a proposed standard dealing with special considerations for the audit of group financial statements, the number of mandatory requirements is being expanded from nine to 40 provisions.

1.48 The AUASB has also recently released two Standards on Assurance Engagements. ASAE 3500 *Performance Engagements* was issued in July 2008 and is operative for all performance engagements commencing on or after 1 January 2009. ASAE 3100 *Compliance Engagements* was reissued in September 2008 and is operative for all reporting periods or compliance engagements commencing on or after 1 October 2008. The AUASB believes these standards will ensure a high quality, consistent approach to performance and compliance engagements throughout Australia. The ANAO Auditing Standards incorporate these new standards.

Conclusion

1.49 There continue to be significant developments occurring in both accounting and auditing standards, including a number that address issues of special relevance to the public sector and public sector auditors.

1.50 For the immediate future, the harmonisation of GAAP and GFS financial reports required by AASB 1049 from 2008–09 for both whole of government and general government sector financial reporting should help to better inform members of the Parliament of the financial performance and position of both the budget sector and the Australian Government as a whole.

1.51 As noted, the audit of GFS and budget variances information required by AASB 1049 will also increase demands on the ANAO.

1.52 In the short term, the resolution of accounting for grants also remains a high priority from our perspective. Beyond that, accounting for emissions trading, the introduction of simplified reporting for small and medium-sized entities and the development of the conceptual framework for the public sector are of particular significance.

1.53 For the ANAO, and the wider government accounting profession, the next two years will require investment in retraining and some investment in implementation so that the APS is well positioned to meet the requirements of these significant developments.

2. Results of the Audit of the Consolidated Financial Statements of the Australian Government

This chapter outlines the results of the audit of the Consolidated Financial Statements of the Australian Government for the year ended 30 June 2008.

Background

2.1 The Australian Government's Consolidated Financial Statements (CFS) are a key mechanism to support government accountability and transparency. The CFS and the associated financial analysis are designed to allow readers to assess the annual financial performance and position of the Australian Government, and to track the movement of key aggregates over time.

2.2 The CFS present the consolidated whole of government financial results inclusive of all Australian Government controlled entities, including entities outside the general government sector, such as Australia Post and the Reserve Bank of Australia. The financial report also includes disaggregated information on the various sectors of government: general government (GGS); public non-financial corporations (PNFC); and public financial corporations (PFC). The CFS are prepared in accordance with the regulations of the *Financial Management and Accountability Act 1997* and applicable Australian Accounting Standards.

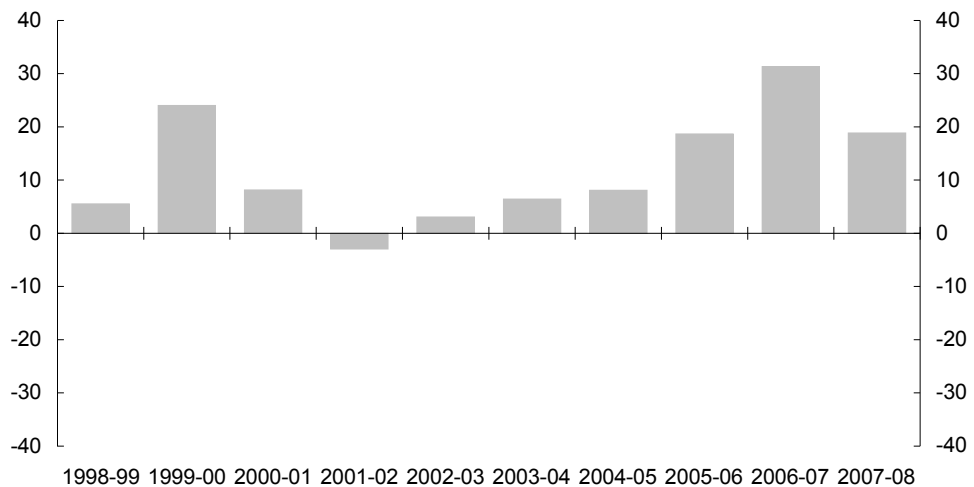
Australian Government's Financial Outcome for 2007–08

2.3 The reported 2007–08 net result attributable to the Australian Government was a surplus of \$18.9 billion (2006–07: \$35.0 billion) and a reported positive net asset position of \$67.6 billion (2006–07: \$43.6 billion). These figures reflect the financial impact of government policies for the year ended 30 June 2008 and the associated movement in net assets and liabilities as at the financial year end. Further information on the significant impacts on the Income Statement and the Balance Sheet is provided below.

2.4 Figure 2.1 provides a comparison of the Australian Government's operating result over the last ten years.

Figure 2.1

Consolidated Operating Result of the Australian Government



Source: 2007–08 Consolidated Financial Statements

2.5 Figure 2.2 shows the movement in the net assets of the Australian Government over the last ten years as a result of the annual operating result, asset revaluations and actuarial gains on defined benefit superannuation plans.

Figure 2.2

Consolidated Net Assets of the Australian Government



Source: 2007–08 Consolidated Financial Statements

Income Statement

2.6 The major movement in revenue from 2006–07 to 2007–08 was a \$25.0 billion increase in taxation revenue, as a result of:

- an increase in income tax on individuals, reflecting growth in wages and employment;
- an increase in company tax, reflecting an increase in companies profit in particularly in the mining and financial sectors;
- an increase in tax on superannuation as a result of 2006–07 fund earnings and higher contributions; and
- an increase in GST reflecting an increase in nominal household consumption subject to GST.

2.7 At the same time, total non-taxation revenues increased by \$4.8 billion in 2007–08, largely due to a \$3.3 billion increase in interest and dividend revenue primarily from equities and interest bearing securities held by the Future Fund, Higher Education Endowment Fund and Communications Fund.

2.8 These increases were offset by a reduction of \$13.7 billion in gains between 2006–07 and 2007–08, primarily due to the 2006–07 gain on sale of two-thirds of the Government's remaining interest in Telstra.

2.9 The major driver for the increase in the Australian Government's expenses from 2006–07 to 2007–08 was a \$16.7 billion increase in subsidy, benefit and grant expenses, the most significant of which relate to:

- an increase in personal benefits, particularly in relation to assistance to the aged and people with disabilities;
- an increase in general revenue assistance, including GST, to the States and Territories;
- an increase in subsidy expenses, primarily as a result of an increase in fuel credit schemes due to the phased implementation of the Fuel Tax Credits over a six year period and an increase in residential care subsidies.
- an increase in the cost of medical benefits and services primarily driven by growth in both the number of services provided by general practitioners (GPs) and a shift by GPs to enhanced primary care services, such as managed care and team care services for patients with chronic diseases, which have a higher Medicare rebate; and

- an increase in pharmaceutical benefits costs, driven by an ageing population and newer higher cost drug listings on the Pharmaceutical Benefits Scheme.

2.10 There was also a \$7.9 billion increase in the cost of goods and services during 2007–08. Employee and supplier expenses increased by \$1.7 billion and \$2.8 billion respectively and these increases were spread across a number of agencies. Net write down and impairment of assets increased by \$4.6 billion as a result of an increase in unrealised losses incurred by the Future Fund and losses resulting from the cancellation of the Seasprite helicopter project, partially offset by a reduction in bad and doubtful taxes recorded by the ATO. There was also a reduction in foreign currency losses by the RBA compared to 2006–07, attributable to the increased use of repurchase agreements using domestic assets rather than foreign assets (in the form of foreign exchange swaps).

Balance Sheet

2.11 The 2007–08 CFS reported the highest net asset position by the Australian Government since the introduction of accrual accounting, as illustrated above in Figure 2.2.

2.12 The value of the Australian Government's financial assets at 30 June 2008 increased by \$38.9 billion since 30 June 2007. The primary driver of this increase was a \$38.8 billion increase in investments, predominantly due to an increase in the Future Fund's holdings of non-government securities and equities and an increase of \$6.3 billion associated with the investment of funds into the Higher Education Endowment Fund. These increases were partially offset by a reduction in the RBA's holdings of non-commonwealth government investments. Receivables decreased by \$1.7 billion at 30 June 2008 as a result of the receipt of the final instalments from the Telstra 3 sale process, offset by an overall increase in taxation receivable, net of doubtful debts and credit amendments.

2.13 Total non-financial assets increased by \$4.0 billion in 2007–08 due to upwards revaluations of land, buildings and infrastructure. This increase was partially offset by a reduction in prepayments primarily due to the drawing down of the Auslink prepayment as road projects have been delivered by the States and Territories.

2.14 The increase in the Australian Government's net asset position was partially offset by an increase of \$18.5 billion in liabilities. This includes an increase in interest bearing liabilities as a result of an increase in Commonwealth Government Securities (CGS) issued by AOFM and the RBA selling its remaining holdings of CGS as part of its market operations, with the result that more CGS are held by entities outside of the Australian Government.

2.15 In addition, creditors and other payables grew by \$1.8 billion during the year, driven by an increase in personal benefits, including increases in amounts payable under the family tax benefit, super co-contribution and other schemes administered through the taxation system.

2.16 Further, there was an increase of \$5.7 billion in provisions during the year. Contributing to this was an increase in superannuation provisions as a result of growth in defined benefit obligations for Australian Government sponsored superannuation schemes, largely due to an increase in expected future payments over time and an increase in benefits accrued by members during 2007–08.

2.17 Subsequent to the CFS reporting date of 30 June 2008, Australian and international markets have been impacted by the current economic environment. The impact of this volatility, and the subsequent government decisions in response to it, has been disclosed in the CFS, and is discussed in more detail below.

Audit Report

2.18 The CFS were signed by the Minister for Finance and Deregulation on 27 November 2008 and the audit report was issued on the next day.

2.19 The audit report on the 2007–08 CFS was unmodified, and as a consequence the CFS has now received an unmodified audit report for two consecutive years.

Significant Disclosures in the CFS

Financial Instrument Disclosures

2.20 As outlined in Chapter One, 2007–08 saw the introduction of accounting standard AASB 7 *Financial Instruments: Disclosures*. This standard

resulted in significant additional disclosure in the CFS around the Australian Government's exposures to credit risk, liquidity risk and market risk.

2.21 The CFS financial instruments note provides a useful overview of the Australian Government's approach to managing the above risks, as well as sensitivity analyses of the major financial asset and financial liabilities, by sector, that are subject to material fluctuations due to changes in market risks.

2.22 The market risk disclosures were predominantly disaggregated at the sector level in the CFS, that is, for each of the GGS, the PNFC sector and the PFC sector. This approach was taken because each sector has different reasons for holding financial instruments, different market risk exposures and different approaches to managing the associated risks.

2.23 The more significant financial instruments exposed to market risk are those held by the Future Fund, AOFM and the Treasury in the GGS, and by the RBA and EFIC in the PFC sector.

Events occurring after Balance Date - Impact of the Current Economic Environment

2.24 Accounting Standard AASB 110 *Events after the Balance Sheet Date* requires the potential impact of material events that occur after the balance sheet date to be considered. Events that are indicative of conditions that arose after the reporting date are called "non-adjusting events", and do not require adjustment of the amounts in the financial statements. The standard does however require the nature of the event and an estimate of its financial effect, or a statement that such an estimate can't be made, to be disclosed in the notes to the financial statements.

2.25 As has been widely reported, there has been significant instability in the global economic environment over recent months, resulting in volatility in the associated financial markets. Since 30 June 2008, there has been significant depreciation of the Australian dollar, and the Reserve Bank of Australia has reduced the official cash rate several times. In response to the current environment, the Australian Government has made a number of announcements¹⁹, and these measures will increase the Australian Government's outlays in 2008–09. The market volatility may also impact on the

¹⁹ Mid-Year Economic and Fiscal Outlook 2008–09

reported valuation of financial assets and liabilities of the Australian Government as at 30 June 2009.

2.26 In accordance with AASB 110, the CFS identify the significant balance sheet items that are exposed to the more volatile market conditions, and which could have a material impact on the Australian Government's financial position. Examples of such exposures include investments held by the Future Fund, Commonwealth Government Securities on issue and long-term assets and liabilities discounted to present value using the Government bond rate or other market-based yields, including the Australian Government's superannuation liability and concessional loans such as the Higher Education Loan Program (HELP).

2.27 The CFS also provides details of the expected financial impact of recent Government announcements in response to current economic conditions. The major announcements relate to:

- a \$10.4 billion package known as the Economic Security Strategy, which includes support payments for pensioners and low and middle income families, first home buyer assistance and acceleration of the Australian Government's infrastructure funds;
- the provision of a government guarantee of deposits and wholesale funding of authorised deposit-taking institutions in Australia. Depositors' balances below \$1 million are automatically guaranteed for free, while eligible institutions may apply for a guarantee on depositors' balances above \$1 million and wholesale debt instruments, in return for a fee. The total value of deposits that are either guaranteed for free or eligible to be guaranteed in return for a fee is estimated to be approximately \$1 trillion, based on data as at 30 September 2008. The Australian Government has assessed any future obligation attached to this guarantee to be remote and unquantifiable, as authorised deposit-taking institutions are subject to prudential regulation by the Australian Prudential Regulation Authority in accordance with international standards. Australian Government expenditure would arise under the guarantee only in the event that an institution fails to meet its obligations with respect to a commitment that is subject to the guarantee, and the guarantee is called upon; and

- supporting competition in mortgage lending, by providing the AOFM with the capacity to invest up to \$8 billion in AAA rated residential mortgage-backed securities.

2.28 The sensitivity of the Australian Government's financial assets and liabilities to reasonably expected movements in particular factors, such as interest rates and currency movements, as at 30 June 2008 is disclosed in the CFS financial instruments note, discussed in paragraphs 2.19 to 2.22 above.

Accounting Issues

Ministerial Remuneration

2.29 In previous years²⁰, the ANAO has reported that the CFS did not disclose the remuneration of Ministers or Executive Officers of Australian Government entities. Whilst the accounting standards do not currently mandate the inclusion of this information, its inclusion within the CFS would generally be seen as a positive contribution to enhanced accountability and consistent with practice in the corporate sector. The CFS for 2007–08 do not incorporate this disclosure.

2.30 The report titled *Review of Operation Sunlight: Overhauling Budget Transparency* (known as 'the Murray report') recommended that the Government disclose ministerial remuneration and consider adopting the New Zealand approach to disclosure of ministerial remuneration, by including the aggregate of the total salaries and allowances provided in the CFS. This recommendation is in line with the ANAO's previous recommendation on this matter. The Australian Government's response to the Murray report agrees in principle to the recommendation, stating that Finance will investigate the feasibility of including the disclosure in the CFS, or another public report.

2.31 In raising this matter previously, the ANAO has recognised that there are a range of issues to be settled in determining the scope and components of such disclosures in a public sector context. To assist in resolving these issues, the ANAO and Finance have discussed a number of possible approaches to this disclosure when it was being considered for inclusion in the 2007–08 CFS. This included consideration of the level of the disclosure, and of the components that would most appropriately be included. Work being

²⁰ Audit Report No.18 2007–08, Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2007, p. 40

progressed by the AASB in 2008–09 on related parties is likely to assist Finance’s deliberations on this issue.

Future Directions for the CFS

Implementation of AASB 1049

2.32 Chapter One discusses AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which will apply to whole of government financial statements for the first time for the financial year ended 30 June 2009.

2.33 Finance and the ANAO’s experience in interpreting and implementing this standard during the preparation and audit of the first set of consolidated financial statements under this standard should be a valuable input to any post-implementation review that may be undertaken by the AASB.

3. Summary of Audit Results and Related Issues

This chapter provides: a summary of issues included in our reports on entities' 2007–08 financial statements; a summary of other audit findings noted in the 2007–08 audits; and commentary on: aspects of the operation of audit committees; the 2007–08 Certificate of Compliance process; Machinery of Government changes; the management of drawing rights; and the impact of movements in financial markets on financial reports.

Audit approach

3.1 Each year, under section 57 of the *Financial Management and Accountability Act 1997* (FMA Act) and under clause 3, part 2 of Schedule 1 of the *Commonwealth Authorities and Companies Act 1997* (CAC Act), the Auditor-General is required to report to the relevant Minister on whether the financial statements of Australian Government entities have been prepared in accordance with the Finance Minister's Orders (FMOs) and whether they give a true and fair view of the matters required by those Orders.

3.2 An audit performed in accordance with the Australian Auditing Standards is designed to provide reasonable assurance that a financial report taken as a whole is free from material misstatement. Reasonable assurance is a concept relating to the accumulation of the audit evidence necessary for the auditor to conclude that there are no material misstatements in the financial report taken as a whole. Reasonable assurance relates to the whole audit process.²¹

3.3 In accordance with generally accepted audit practice, the ANAO accepts a minimal level of risk that a material misstatement in the financial statements will not be detected by the audit procedures. This minimal risk is accepted because of the significant costs and impracticability of performing an audit that accepts no, or an extremely low, level of risk. The ANAO performs specific audit procedures to ensure that the risk taken is acceptably low. These procedures include, for example, reviewing the operation of internal controls, undertaking analytical reviews, testing a sample of transactions and account balances, and confirming year-end balances with third parties.

²¹ ASA 200 *Objective and General Principles Governing an Audit of a Financial Report*, paragraph 25

3.4 Financial statement audits focus on the major financial reporting risks facing entities and the manner in which the entities seek to manage those risks. The risks will vary according to the size and nature of the organisation, including the nature of its operating environment, the complexity of its information technology systems and the geographical spread of its operations.

3.5 Financial statement audits are performed in a number of phases, primarily planning, interim and final. The ANAO's Audit Report No 44 of 2007–08 reported on the results of the interim phase of the audit of selected material entities. The results of the final phase of the audit of Australian Government entities are the focus of this report.

Classification of Entities

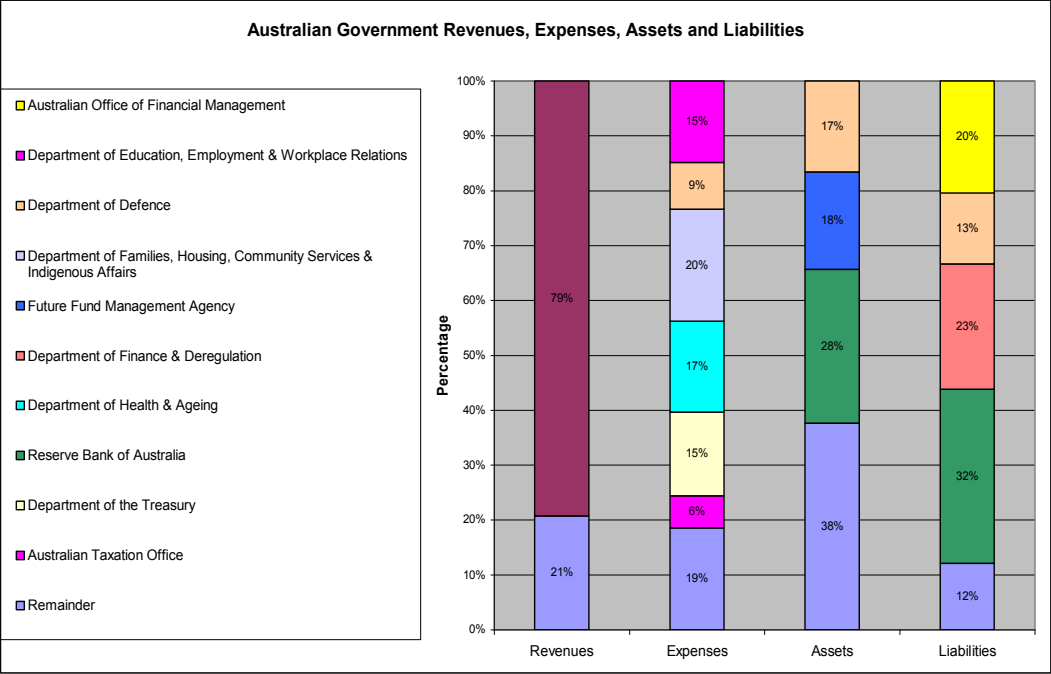
3.6 Seventy-three of the entities consolidated into the CFS are classified as material entities as they comprise the majority of the revenues, expenses, assets and liabilities of the Australian Government. The remaining entities are considered to be non-material reporting entities. The 73 material entities comprise some 99 per cent of key financial statement balances consolidated into the CFS. Material entities are required to produce more detailed financial information than non-material entities for the purposes of providing monthly, end-of-year and estimates reports to Finance.

3.7 The following ten entities represent a significant proportion of the Australian Government 2007–08 financial statement balances:

- the Department of Defence;
- the Department of Education, Employment and Workplace Relations;
- the Department of Families, Housing, Community Services and Indigenous Affairs;
- the Department of Finance and Deregulation;
- the Department of Health and Ageing;
- the Department of the Treasury;
- the Australian Office of Financial Management;
- the Australian Taxation Office;
- the Future Fund Management Agency; and
- the Reserve Bank of Australia.

3.8 The contribution of these entities to the Australian Government’s revenues, expenses, assets and liabilities (prior to elimination of inter entity transactions) is shown in Figure 3.1.

Figure 3.1



Source: ANAO analysis

Summary of results of audits

Summary of Reports Issued

3.9 The Auditor-General is required by law to provide to the relevant Minister an audit report on the annual financial statements of each Australian government reporting entity. The audit opinion included in the auditor's report may be qualified. An auditor's reports may also include an emphasis of matter without qualifying the audit opinion. The various types of audit opinions and other matters that may be included in an auditor's report are explained at Appendix 2. A summary of the qualifications, 'emphasis of matter' and 'other legal and regulatory requirements'²² included in auditors' reports issued by the ANAO for the past two years is provided in this chapter.

Table 3.1

Summary of audit reports issued and outstanding

Financial Statement Audit Reports	2007–08	2006–07
Qualified (includes CFS audit report) ~	0	1
Emphasis of matter	0	0
Other Legal and Regulatory Requirements	1	1
Unqualified audit reports	233	230
Total Issued	233	231
Financial statements not presented for audit at the time of this report	14	7
Total number of audits	247	238

Source: ~The 2006–07 Defence audit report also contained an 'Other Legal and Regulatory Requirements'.

Entity Audit Reports containing a Qualification or an Emphasis of Matter

3.10 No 2007–08 audit reports contained a qualification or an emphasis of matter.

²² 'Other Legal and Regulatory Requirements' were previously referred to as 'Other statutory matters'.

Entity Audit Reports containing Other Legal and Regulatory Requirements

Australian Taxation Office

3.11 The financial statements for the Australian Taxation Office for the year ended 30 June 2008, made reference in Note 23C to breaches of section 83 of the Constitution. These breaches were identified by the ATO during the 2007–08 Certificate of Compliance process. The note to the financial statements indicated that from time to time, as a result of processing errors other than during the assessment process, incorrect payments are made by the Tax Office. In these circumstances a payment is made to a taxpayer without any legislative basis, which constitutes a breach of section 83 of the Constitution. The number of payments identified by the ATO was a very small proportion of the total payments made by the ATO.

3.12 The audit opinion on the financial statements was unqualified, although the opinion did include a reference to the breaches of section 83 of the Constitution under a section on Other Legal and Regulatory Requirements.

Summary of other audit findings

3.13 The ANAO rates audit findings according to the potential risk posed to the entity. The rating structure is as follows:

Category	Description
A	Those matters which pose significant business or financial risk and must be addressed as a matter of urgency. This assessment should take account of both the likelihood and consequences of the risk eventuating.
B	Those matters which pose moderate business or financial risk or matters referred to management in the past, which have not been addressed satisfactorily. These would include matters where the consequences of the issue might be significant; however there is little likelihood of the consequences eventuating.
C	Matters which are procedural in nature or minor administrative failings. These could include minor accounting issues, audit issues, or relatively isolated control breakdowns, which need to be brought to the attention of management.

3.14 The final audit phase of the 2007–08 audits included a review of progress achieved by entities in addressing audit issues identified during the 2007–08 interim phase or carried forward from previous years. The ANAO noted that, overall, entities had made good progress in resolving outstanding

audit issues. In particular, there was significant improvement in some major agencies that had made a concentrated effort to resolve issues.

3.15 In situations where the ANAO reviewed actions taken and was satisfied that the issue had been satisfactorily addressed, the matter has been reported as 'resolved'. Where the issue has been partly addressed, the finding may be downgraded in significance. In the remaining instances, the ANAO will review the actions taken by entities as part of the 2008–09 audits.

3.16 New issues identified during the final phase of the 2007–08 audits included issues relating to: controls in entities' IT environments, such as system access controls; the segregation of duties, particularly in FMISs; data integrity controls in key business and financial systems; and financial statement preparation processes.

3.17 Appendix 4 provides:

- the number of Category A and B audit findings for agencies included in Audit Report No 44 at the conclusion of the interim phase of the 2007–08 audits (Table A1); and
- the number of Category A and B audit findings for all material entities at the conclusion of the final phase of 2007–08 audits (Table A2).

3.18 Chapter 4 includes details of Category A and B audit findings for each entity together with a table that provides a summary of the status of previously reported audit issues as well as new issues identified during the final phase of the 2007–08 audit.

3.19 A summary of the trend in Category A and B findings between 2006–07 and 2007–08 final audit phases for material entities is outlined below:

- the total number of Category A audit findings is five in 2007–08, down from 11 in 2006–07;
- there were three entities with Category A audit findings in 2007–08, the same number as in 2006–07;
- the total number of Category B audit findings in material entities decreased from 109 in 2006–07 to 72 in 2007–08. The biggest reduction occurred in the Department of Defence where Category B audit findings reduced from 43 to 24; and
- there was a reduction in the number of Category B findings in 18 entities; ten entities showed an increase in the number of Category B

findings; one entity had the same number of findings; and 39 had no findings in either 2006–07 or 2007–08.

Preparation of entity financial statements

Financial statement timeframes

3.20 The preparation and publication of annual audited financial statements is a key means by which entities meet their financial accountability and legislative obligations. It is generally accepted that a good indicator of the effectiveness of an entity's stewardship and financial management processes is the timely finalisation of the entity's financial statements, accompanied by an unqualified audit opinion. While acknowledging the challenges caused by tight completion requirements, rushed preparations, particularly if caused by poor project management or process shortcomings, heighten the risk of error or unreasonable resource usage to bring forward financial statement completion. The emphasis is on both the timeliness and quality of financial reporting.

3.21 For 2007–08, material entities were required to submit audit cleared financial information to the Department of Finance and Deregulation by 15 August 2008. For non-material agencies, the date was 31 August 2008. These dates also applied in the prior year.

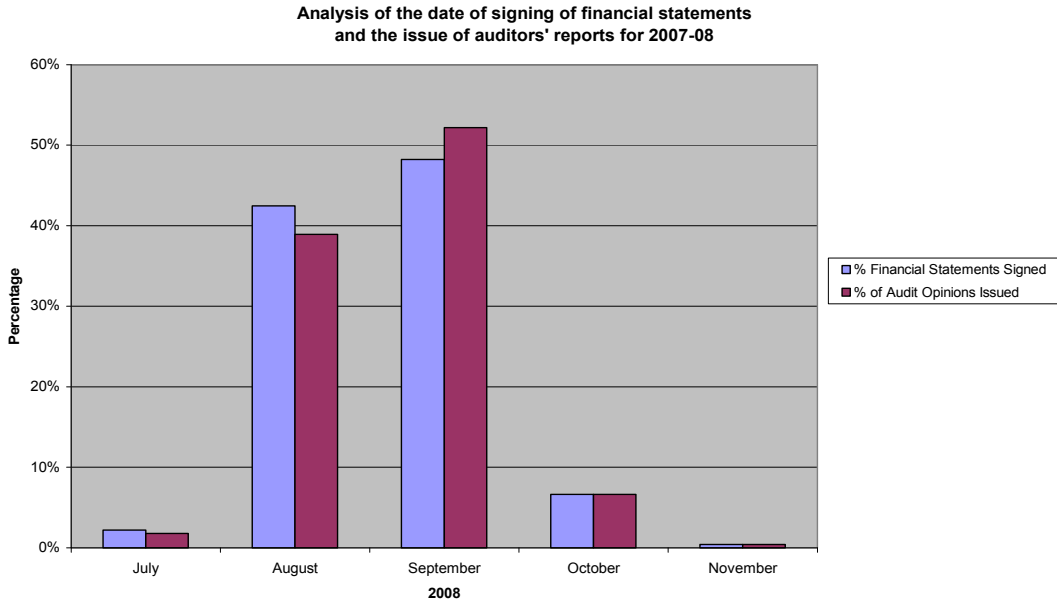
3.22 Approximately 85 per cent of material entities met the 15 August 2008 deadline and approximately 57 per cent of non-material entities met the deadline of 31 August 2008. This represents an overall improvement on the position achieved for 2006–07 when 76 per cent of material entities and 59 per cent of non-material entities met the deadlines relevant to that year.

3.23 There are no deadlines for the signing of the actual financial statements (although in a number of entities the financial statements were signed at the same time as audit cleared information was provided to Finance) and the issue of the related audit opinion. There is, however, a deadline of 31 October 2008 for the tabling of entities' annual reports²³ that are required to include a copy of the signed financial statements and the auditor's report. An

²³ Agencies are required to table their Annual Reports by 31 October. CAC Act authorities are required to provide their Annual Report to the responsible Minister by the 15th day of the fourth month after the end of the financial year, ie. 15 October.

analysis of the dates on which entities' financial statements were signed and the auditor's report issued is provided in Figure 3.2.

Figure 3.2



Source: ANAO Analysis

3.24 This result is consistent with 2006–07, in that the audits for the large majority of entities' financial statements were completed within three months of the end of the financial year. Overall, this continues to reflect positively on the financial stewardship of the public sector generally. While there were notable improvements in 2007–08, there remains scope in some entities for improved timeliness in their financial statement preparation.

3.25 For some agencies, a particular challenge this year arose because of the Machinery of Government (MOG) changes. All but one agency affected met the 15 August 2008 deadline of submitting audit cleared financial information to Finance. However, the need to include in the 2007–08 financial statements of agencies financial information relating to abolished agencies or functions transferred as a result of the AAOs of 3 December 2007 and 25 January 2008, put some added pressure on agencies' financial statement preparation processes.

Audit Committees

3.26 The important role of audit committees in the public sector is reflected in the requirement for all FMA and CAC entities to establish an audit committee. This legislative requirement has been in force for some 10 years, and audit committees are now a well established and important element of governance arrangements of all public sector entities. Generally, audit committees have a mandate that involves assisting the Chief Executive or Board to:

- ensure all key controls are operating effectively;
- ensure all key controls are appropriate for achieving corporate goals and objectives; and
- meet their statutory and fiduciary duties.

3.27 One of the key roles of audit committees is the review of the entity's financial statements and making a recommendation to the Chief Executive or Board on the signing of the financial statements. The importance of this role is reflected in the number of entities that have established a financial statement sub-committee of the audit committee with specific responsibilities to review the entity's financial statements. The ANAO encourages entities to consider the benefits of adopting such an approach.

3.28 The effectiveness of an audit committee is, to a large extent, influenced by the degree with which the committee can operate independently of line management and the objectivity it brings to its deliberations. In CAC bodies, where an external Board is accountable for the entity, greater independence from management can be achieved if the audit committee is comprised of non-executive directors appointed by the Chair of the Board, after discussion with the full Board. The CAC Regulations 2007 prescribe the composition of audit committees for Commonwealth authorities and wholly-owned Commonwealth companies. The regulations, that take effect on 15 January 2009, provide that:

- the chair of the committee must not be the chair of the body;
- the chair of the committee must also not be an executive director of the body but the committee may include one person who is an executive director of the body;
- the committee must have at least three members;

- no senior managers or other employees of the body, other than a single executive director, may be members of the committee; and
- the quorum for meetings of the committee is the greater of two persons or a majority of the committee.

3.29 In FMA agencies, and some CAC bodies where the Chief Executive is accountable for the performance of the entity, the audit committee members are often management representatives appointed by, and accountable to, the Chief Executive. The ANAO's Better Practice Guide Public Sector Audit Committees, published in February 2005 suggests that the appointment of independent members to the committee is the most visible and practical way to give substance to the principle of the audit committee being as independent as possible from the management of the entity. The Guide also suggests there is considerable merit in the Chair being an independent member.

3.30 Over the last several years an increasing number of entities have appointed one or more independent members to their audit committees and there has also been an increase in the appointment of independent members as audit committee Chairs. The ANAO considers that these developments have contributed to the overall effectiveness of audit committees in undertaking their responsibilities. The ANAO also continues to encourage entities to consider the benefits of appointing independent audit committee members where they have not already done so.

3.31 It is noted that the pool of suitably qualified independent members is also continuing to grow. The ANAO seeks to support and encourage such involvement through convening, in conjunction with Finance, a forum of Chairs of Audit Committees of FMA agencies once or twice a year.

3.32 It is important that the relationship between audit committees and the ANAO is open and constructive and the ANAO is committed to assisting, to the extent appropriate, audit committees in meeting their responsibilities. This includes attendance, as an observer, at audit committee meetings. Such attendance facilitates the unrestricted and open exchange of information and views between the ANAO and the entity. For its part, the ANAO aims to:

- contribute its knowledge and experience to the audit committee's deliberations;
- inform, and be informed, of any significant issues arising that have the potential to have an adverse effect on the integrity of the financial

reporting and administration of the entity and, to the extent practicable, agree on steps to address such issues or to minimise their impact;

- encourage open discussions on issues affecting the performance of entities through the mature handling of information discussed at audit committee meetings and recognition, where appropriate, of actions initiated by entities to address risks or other issues identified; and
- advise the audit committee of the ANAO's responsibilities in relation to financial and performance audits and to discuss the objectives and findings of audits undertaken in the entity.

3.33 ANAO attendance at Audit Committee meetings also assists the ANAO in obtaining an understanding of an entity's business risks and control environment as required by the Auditing Standards.

3.34 It is pleasing to note that, with one exception, audit committee arrangements provide for ANAO representatives to attend full committee meetings. The exception is the Department of Innovation, Industry, Science and Research audit committee where the ANAO's attendance is restricted to agenda items relating to the financial statements and internal audit activities. The ANAO respects the right of public sector agencies to decide on the mandate, agenda and operations of audit committees. However, the weight of views amongst agencies does suggest that it is in the interests of both agencies and the ANAO for the ANAO to attend the full agenda of audit committee meetings to contribute to the committee's deliberations. For its part, the ANAO encourages such an approach as it allows the ANAO to contribute its experience to departmental risk management.

Certificate of Compliance

3.35 Commencing from the 2006–07 financial year, Chief Executives of each FMA agency are required to provide an annual Certificate of Compliance (CoC). Directors of GGS CAC Act authorities and wholly-owned companies are also required to provide a report on compliance with relevant aspects of CAC Act legislation.

3.36 The Certificate of Compliance process requires the Chief Executive of an FMA agency to certify, having regard to advice provided by the agency's internal control mechanisms, management and the audit committee, that the agency:

- has complied with the provisions of the FMA Act, the Financial Management and Accountability Regulations 1997 and the Financial Management and Accountability Orders 2005;
- has exercised the powers delegated by the Finance Minister in accordance with the delegation;
- has complied with Australian Government requirements on foreign exchange risk management;
- has complied with legal and financial requirements for the management of Special Accounts;
- has complied with the financial management policies of the Commonwealth;
- is operating within the agreed resources for the current financial year; and
- has adopted appropriate management strategies for all currently known risks that may affect the financial sustainability of the agency.

3.37 Certificates of Compliance are required to be provided by 15 October each year.

3.38 Following a review of the outcome of the 2006–07 CoC process, amendments were made to a small number of legislative requirements that the process identified had contributed to legislative breaches by entities. These amendments, initiated by Finance, included amending the requirement relating to the transfer of leave entitlements of employees moving between agencies and issuing further guidance, and providing additional training, on a number of Regulations. The guidance and training focussed in particular on the requirements of Regulations 7 to 13 relating to commitments to spend public money.

3.39 Guidance material issued to entities to assist with the conduct of the 2007–08 CoC process was also updated as a result of the 2006–07 review.

3.40 As part of the 2007–08 financial statement audit process, the ANAO obtained details of actual or potential breaches of the relevant financial framework referred to in entities' Certificates of Compliance or other records. The impact of any reported breaches on the financial statements was considered prior to the signing of the audit report.

3.41 While financial statement audits do not include an audit of the CoC process, a number of general observations are made based on information advised by individual entities:

- over 40 per cent of material entities signed their Certificate of Compliance prior to, or at the same time as, signing their 2007–08 financial statements. This compares to the position in 2006–07 where approximately a third of material agencies signed their Certificate of Compliance prior to, or at the same time as signing their 2006–07 financial statements.
- the large majority of entities signed their respective Certificates by 15 October 2008; and
- only one type of breach, by its nature, required disclosure in the auditors' report on an agency's financial statements. These breaches occurred in the Australian Taxation Office and details are included in Chapter 4 of this Report.

3.42 A high level analysis by the ANAO indicates that there was a significant increase in the number of breaches identified by entities compared to 2006–07. ANAO enquiries identified that the CoC process has resulted in staff having an increased awareness of legislative requirements. In some entities, the number of breaches in 2007–08 increased because staff were in a better position to identify when breaches had occurred and processes that entities had in place to assess legislative compliance had matured in 2007–08. By contrast, in other entities there was a significant decrease in reported breaches. Entities advised the ANAO that an increased awareness of legislative requirements had resulted in staff giving higher priority to meeting these requirements, particularly in areas where breaches had occurred in 2006–07.

3.43 Consistent with the suggestion made in Audit Report No.18 2007–08, there remains scope for entities to review their procedures and business processes to identify opportunities to assist staff to comply with financial framework requirements. This is particularly the case where multiple breaches have been identified, including the requirement relating to the banking of public moneys²⁴ and obtaining prior approval to the expenditure of public

²⁴ FMA Order 3.1.1 requires the banking of public moneys received 'as soon as practicable, but in any case not later than:

(a) the next banking day; or

(b) a banking day approved by the Chief Executive.'

moneys²⁵. The 2007–08 process again identified a large number of breaches in relation to these two requirements.

3.44 Consistent with the 2006–07 results, the majority of breaches identified by FMA Act agencies relate to requirements of the FMA Regulations rather than the requirements of the FMA. Many of the breaches identified by FMA Act agencies also continued to consist of multiple occurrences of a breach of the same legislative requirement rather than one-off breaches of a large number of individual requirements. The small number of breaches identified by CAC Act bodies related to director's duties under the CAC Act.

3.45 The ANAO analysis also suggests that, in broad terms, many of the breaches again related to regulations in respect of the commitment, approval and spending of public moneys and the failure to document the reasons for non-adherence to the Commonwealth Procurement Guidelines. Areas where the number of breaches increased compared with 2006–07 included the approval of spending proposals, having valid drawing rights, the banking of public moneys, the use of credit cards and the recovery of debts. It was also evident that a small number of entities accounted for the large majority of the total number of breaches.

3.46 While the Certificate of Compliance process has resulted in an increased awareness of legislative requirements, entities continue to identify a significant number of legislative breaches. This suggests that meeting the requirements of the relevant financial management framework warrants ongoing attention by entity management.

Machinery of Government Changes

3.47 Audit Report No 44 2007–08 *Interim Phase of the Audit of Financial Statements of General Government Sector Agencies for the Year Ending 30 June 2008* included a discussion of the implementation of the MOG changes that took place following the change of Government in December 2007.

3.48 In respect of Parliamentary Appropriations, Audit Report No 44 mentioned that agencies that had been affected by the Administrative Arrangements Orders of 3 December 2007 and 25 January 2008 needed to ensure that money was expended in accordance with a valid Parliamentary

²⁵ A spending proposal must be approved under FMA Regulation 9, and if necessary, authorised under FMA Regulation 10, before a person enters into a contract, agreement or arrangement under which public money is or may become payable.

Appropriation. Appropriation Acts were amended by executing determinations under Section 32 of the FMA Act. A number of determinations made by a delegate of the Finance Minister were issued within a few weeks of the AAOs once agreement on the amounts to be transferred was reached between the relevant agencies. However, in some agencies lengthy negotiations took place and determinations were not finalised until late June 2008.

3.49 Audit Report No 44 also indicated that the ANAO was reviewing, in a number of the affected agencies, the accounting for appropriations in the period immediately following the AAOs of 3 December 2007 and 25 January 2008. The outcome of this review was finalised as part of the final audits of agencies' 2007–08 financial statements.

3.50 The central issue considered during the final audit was whether any breaches of Sections 81²⁶ or 83²⁷ of the Constitution had occurred. In this regard, Finance obtained legal advice from the Australian Government Solicitor that indicated, in summary, that:

- provided any departmental expenditure made after the abolition of a department was consistent with the functions which had previously been the functions of the abolished department, then it would be within the purposes of the appropriation; and
- provided any administered expenditure by agencies was for the purpose of carrying out activities for the purpose of achieving an Outcome, the expenditure would be within the purpose of the appropriation and therefore would be valid, regardless of whether a department in relation to which an appropriation was made had been abolished.

3.51 Based on this advice and a review of the purpose of both departmental and administered expenditure by agencies following the MOG changes, the ANAO concluded that no breaches of sections 81 or 83 of the Constitution had occurred. Notwithstanding this, it is suggested that following MOG changes, reaching agreement in a timely manner on the

²⁶ Where monies forming part of the Consolidated Revenue Fund are to be appropriated for the purpose of the Commonwealth, a valid appropriation must specify a purpose for which the appropriation was made.

²⁷ No money shall be drawn from the Treasury of the Commonwealth except under appropriation made by law.

appropriation amounts that need to be transferred between agencies is consistent with sound administrative practice.

3.52 As mentioned earlier, there are no deadlines for signing financial statements. However, there is a requirement for material and non-material agencies to submit their audit cleared financial statements by 15 August and 31 August respectively. The submission by a small number of material agencies of cleared financial information to Finance, as well as the signing of the financial statements, had been impacted by the MOG changes. Generally the effect of the MOG changes was able to be managed through increased effort by both agencies and the ANAO.

The Management of Drawing Rights

3.53 Section 26 of the FMA Act requires that an official can only make a payment of public money, request that an amount be debited against an appropriation, and/or debit an amount against an appropriation when authorised to do so by a valid drawing right. Drawing rights are issued by the Finance Minister under section 27 of the FMA Act. Drawing rights are generally issued to Chief Executives; however powers delegated by the Finance Minister to Chief Executives are often sub-delegated by the Chief Executive²⁸ to specific officials.

3.54 During 2007–08, the delegation from the Finance Minister to agency Chief Executives to issue drawing rights was revoked twice. The first of these revocations occurred on 30 May 2007, with effect from 1 July 2007, when the then Minister for Finance and Administration issued a delegation (the 2007 (No.1) delegation) which revoked the Financial Management and Accountability (Finance Minister to Chief Executives) Delegation 2002, as amended (the 2002 delegation). The 2007 (No.1) delegation also delegated to chief executives a wide range of the Finance Minister's powers under the FMA Act and the FMA regulations which largely corresponded to the powers that had been delegated under the 2002 delegation. Although the 2007 (No.1) delegation substantially restructured the 2002 delegation, the 2007 (No.1) delegation did not significantly change the substance or operation of the 2002 delegation in relation to drawing rights.

²⁸ Under s 53 of the FMA Act and FMA regulation 26

3.55 The second revocation occurred on 13 December 2007, when the 2007 (No.1) delegation was revoked by the Minister for Finance and Deregulation and replaced by the 2007 (No.2) delegation. The changes between the two delegations were not substantial. The 2007 (No.2) delegation updated the Finance Minister's delegation to Chief Executives to take account of agency name changes resulting from the Administrative Arrangements Order of 3 December 2007, and the fact that the Finance Minister's own title had changed. The new delegation took effect on the date of signing.

3.56 Details of the above revocations and the issue of new delegations were emailed by Finance to agency CFOs. Agency Chief Executives, whose delegations were being revoked and reissued, were not directly informed.

3.57 The emails to agency CFOs in May and June 2007 regarding the 2007 (No.1) delegation advised that the changes would come into effect on 1 July 2007 and would make all sub-delegations made under the previous delegations from the Finance Minister invalid, thus requiring agency sub-delegations to be reissued by 1 July 2007 in order to take effect from that date.

3.58 Although the 2007 (No.2) delegation was signed on 13 December 2007, Finance was not able to confirm that the new delegation had been signed until 18 December 2007. Finance then advised agencies that the delegation had been signed at a special CFO Forum held on that day. Finance also provided written advice by way of email to all agency CFOs on 20 December 2007, indicating that existing instruments of delegation by the Chief Executive of an Agency, to the extent that they delegated power and functions delegated to the Chief Executive by the Finance Minister under the previous delegation, should be updated as soon as possible to take account of the Finance Minister's new delegation.

3.59 Notwithstanding this email advice, a large number of FMA agencies did not re-issue their drawing right sub-delegations following either or both of these revocations. In view of this situation, Finance obtained legal advice on the impact of revoking the previous delegations from the Finance Minister to all Chief Executives, and was advised that:

- drawing rights instruments remained valid despite the revocation of the previous delegations and the making of new delegations; and
- sub-delegations made by agency Chief Executives under Section 53 of the FMA Act and Section 26 of the Financial Management and

Accountability Regulations 1997 (FMA Regulations) needed to be re-issued, as the parts that related to powers issued by the Finance Minister were invalid, following the revocation of the old delegations and the making of new delegations.

3.60 Agencies are required to report any identified instances of non-compliance relating to the management of drawing rights in their annual Certificate of Compliance. Finance has advised the ANAO that in excess of 6 000 drawing rights breaches were included in agencies' 2007–08 Certificates of Compliance. Of these, some were attributed by agencies to the circumstances referred to above.

3.61 The ANAO's assessment of instances of non-compliance of drawing rights requirements by individual agencies concluded that no breaches, by their nature or significance, required reference in the audit opinions on agencies' financial statements.

3.62 As a result of the circumstances outlined above, Finance has taken action designed to ensure agencies are better able to update their own sub-delegations where delegations by the Finance Minister are revoked and re-issued. These actions include ensuring that future updates of the Finance Minister's delegations include an appropriate transition period and communicating directly with agency Chief Executives about the impact on individual agencies of decisions taken by the Finance Minister relating to delegations.

The impact of movements in financial markets on financial reports

3.63 Financial market movements have caused turmoil over recent months. The losses in global stock market values, tightening liquidity, and the consequential impact on global economic activity has substantially emerged post the finalisation of the 2007–08 financial statements.

3.64 In the context of the 2007–08 audits, the ANAO has focussed on entities having appropriate support for the valuation of assets and liabilities, and disclosures relating to financial instruments required by the introduction of AASB 7, *Financial Instruments: Disclosures* (refer to Chapter 1 for further discussion).

3.65 Specifically, audit work has been directed towards the valuation of assets and liabilities including financial instruments, an inherently complex

area made more so by the volatility of the current markets and the existence of credit risk, interest rate risk and foreign exchange risk.

3.66 As mentioned in Chapter 2, one immediate consequence of the market difficulties has been the disclosure in the CFS of the expected financial impact of recent Government announcements in response to current economic conditions. The major announcements relate to an Economic Security Strategy, the provision of a government guarantee of deposits and wholesale funding of authorised deposit-taking institutions in Australia and supporting competition in mortgage lending.

3.67 Our 2008–09 audit approach will take into account an assessment of the risk of mis-statement of the financial statements arising from the volatility in financial markets.

4. Results of Financial Statements Audits by Portfolio

This chapter summarises the results of the audits of the 2007–08 financial statements of individual Australian Government entities.

Introduction

For reporting purposes, the structure of this chapter reflects the Portfolio arrangements, existing at 30 June 2008²⁹.

4.1 The table for each portfolio indicates, for each portfolio entity:

- the nature of the audit opinion and whether the audit identified any significant audit issues;
- the date the financial statements were signed; and
- the date the audit report was issued.

4.2 The table also identifies, for each entity, whether previously reported significant or moderate issues remain unresolved and/or new significant or moderate issues identified during the 2007–08 final audit.

4.3 Issues identified are rated in accordance with the seriousness of the particular matter. The three tier rating scale of 'A', 'B' and 'C', as outlined in Chapter Three, indicates to the respective entity the priority it should give to remedial action. Category B or C issues unresolved at the time of the next audit may, depending on the seriousness of the issue, subsequently be given a higher rating.

4.4 For each material entity³⁰ details of the balance of key departmental and administered financial measures for 2006–07 and 2007–08 are provided, accompanied by a brief explanation of any movements in these measures that are significant.

4.5 For each portfolio entity, the Chapter also indicates the status of significant and moderate of issues (Category A and B issues respectively)

²⁹ As established in the Administrative Arrangements Order dated 25 January 2008.

³⁰ 73 entities are classified as 'material' entities for Whole of Government reporting purposes with the remainder classified as non-material. Entities considered material collectively account for some 99 per cent of revenues, expenses, assets and/or liabilities of the Australian Government.

identified in the interim audit phase, or in prior years, and summarises any new significant or moderate or issues arising from the final phase of the 2007–08 audit.

Agriculture, Fisheries and Forestry Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Agriculture, Fisheries and Forestry	Yes	✓	29 Aug 08	29 Aug 08	
- Australian Quarantine and Inspection Service	No	✓	29 Aug 08	29 Aug 08	
- National Residue Survey	No	✓	29 Aug 08	29 Aug 08	
Australian Fisheries Management Authority	No	✓	11 Sept 08	11 Sept 08	
Australian Pesticides and Veterinary Medicines Authority	No	✓	3 Sept 08	4 Sept 08	
Australian Wine and Brandy Corporation	No	✓	20 Aug 08	27 Aug 08	
Biosecurity Australia	No	✓	12 Sept 08	12 Sept 08	
Cotton Research and Development Corporation	No	✓	28 Aug 08	28 Aug 08	
Dairy Adjustment Authority	Yes	✓	9 Sept 08	11 Sept 08	
Fisheries Research and Development Corporation	No	✓	14 Aug 08	15 Aug 08	
Forest and Wood Products Research and Development Corporation ☞ ceased to exist on 31 Aug 07	No	✓	17 Jun 08	17 Jun 08	
Grains Research and Development Corporation	Yes	✓	15 Aug 08	20 Aug 08	
- Single Vision Grains Australia Limited	No	✓	20 Oct 08	22 Oct 08	
Grape and Wine Research Development Corporation	No	✓	19 Aug 08	27 Aug 08	
Land and Water Resources Research and Development Corporation	No	✓	3 Sept 08	3 Sept 08	
Rural Industries Research and Development Corporation	No	✓	26 Sept 08	29 Sept 08	
Sugar Research and Development Corporation	No	✓	4 Sept 08	10 Sept 08	
Export Wheat Commission	No	✓	24 Sept 08	24 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.6 The Agriculture, Fisheries and Forestry portfolio aims to advance the interests of Australia's agriculture, food, fisheries and forest industries in ways that protect and enhance Australia's natural resource assets.

4.7 The portfolio comprises the Department of Agriculture, Fisheries and Forestry (DAFF) and a number of prescribed agencies, statutory authorities and research and development corporations. These portfolio entities work towards the common goal of ensuring Australian agricultural, food, fisheries and forestry industries are based on sustainable management of and access to natural resources, are more competitive, self-reliant and innovative, have increased access to markets, are protected from diseases and are underpinned by scientific advice and economic research.

Department of Agriculture, Fisheries and Forestry

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	645.1	620.1
Total expenses	644.4	634.3
Total assets	254.6	243.1
Total liabilities	235.6	212.5

4.8 The increase in both income and expenses was largely due to additional funding from Government and expenditure related to drought and equine influenza assistance measures.

4.9 Assets and liabilities increased mainly as a result of the purchase of new office equipment, fixtures and fittings and an increase in lease liabilities associated with DAFF's relocation to new premises in Canberra.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	621.8	617.3
Total expenses	2 820.3	2 217.7
Total assets	246.2	241.1
Total liabilities	124.2	84.9

4.10 Administered income increased as a result of higher beef and grain levies as the price of these commodities increased during 2007–08. This increase was partly offset by a reduction in levies collected from industries that are particularly dependent on water for production, such as rice and cotton.

4.11 The significant increase in administered expenses is largely due to an increase in personal benefits and grant payments associated with drought relief, equine influenza and support for irrigators in the Murray Darling Basin.

4.12 The increase in administered liabilities is largely due to an increase in grants payable to state governments and private sector entities as a result of additional drought relief, and delays in receiving invoices from grants recipients.

Audit results

Summary of audit findings

4.13 There were no significant or moderate audit issues identified during the 2007–08 audit.

Dairy Adjustment Authority

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	0.9	0.8
Total expenses	0.9	0.8
Total assets	0.4	0.3
Total liabilities	0.4	0.3

4.14 There was no significant movement in these balances in 2007–08.

Audit results

Summary of audit findings

4.15 There were no significant or moderate audit issues noted during the 2007–08 audit.

Grains Research and Development Corporation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	127.2	98.6
Total expenses	102.5	118.2
Total assets	117.5	106.0
Total liabilities	27.7	40.4

4.16 In 2006, Grains Research and Development Corporation (GRDC) developed a drought strategy as a result of the existing environmental conditions. This strategy provided for the reduced income and associated research expenditure. In 2007–08, the production and price of grain products was higher in the market than anticipated, and resulted in an increase in income.

4.17 Expenses were lower in 2007–08 as a result of reduced research and development activity in line with the 2006 drought strategy.

4.18 The increase in assets is a result of recognising a debt at year end for industry levies which were received after 30 June 2008.

4.19 The decrease in liabilities is due to a reduction in payables at year end as a result of more timely payments of research and development expenditure in 2007–08, as well as a reduction in research and development expenditure in 2007–08 as discussed above.

Audit results

Summary of audit findings

4.20 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.21 There were no significant or moderate audit issues identified in non-material entities in the portfolio in 2007–08.

Attorney-General's Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Attorney-General's Department	Yes	✓	27 Aug 08	29 Aug 08	◆
Administrative Appeals Tribunal	No	✓	3 Sept 08	4 Sept 08	
Australian Commission for Law Enforcement Integrity	No	✓	8 Oct 08	9 Oct 08	
Australian Crime Commission	No	✓	19 Sept 08	19 Sept 08	◆
Australian Customs Service	Yes	✓	22 Aug 08	25 Aug 08	▲
Australian Federal Police	Yes	✓	28 Aug 08	28 Aug 08	◆
Australian Government Solicitor	Yes	✓	14 Aug 08	15 Aug 08	
Australian Institute of Criminology	No	✓	28 Aug 08	29 Aug 08	
Australian Law Reform Commission	No	✓	3 Sept 08	3 Sept 08	
Australian Security Intelligence Organisation	No	✓	9 Sept 08	9 Sept 08	◆
Australian Transaction Reports and Analysis Centre	No	✓	5 Sept 08	5 Sept 08	
Criminology Research Council	No	✓	28 Aug 08	29 Aug 08	
CrimTrac Agency	No	✓	11 Sept 08	11 Sept 08	
Family Court of Australia	Yes	✓	25 Aug 08	25 Aug 08	
Federal Court of Australia	No	✓	5 Sept 08	5 Sept 08	
Federal Magistrates Court	No	✓	12 Sept 08	15 Sept 08	
High Court of Australia	Yes	✓	11 Sept 08	18 Sept 08	
Human Rights and Equal Opportunity Commission	No	✓	21 Aug 08	21 Aug 08	
Insolvency and Trustee Service Australia	No	✓	15 Sept 08	16 Sept 08	

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
National Capital Authority	Yes	✓	7 Aug 08	7 Aug 08	
National Native Title Tribunal	No	✓	5 Sept 08	10 Sept 08	
Office of the Commonwealth Director of Public Prosecutions	No	✓	17 Oct 08	17 Oct 08	◆
Office of Parliamentary Counsel	No	✓	1 Sept 08	1 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

⇐: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.22 The Attorney-General's portfolio comprises the Attorney-General's Department (AGD) and a number of statutory and non-statutory bodies. The AGD is the central policy and coordinating entity within the portfolio. The portfolio covers a broad range of law and justice services including legal policy and services to the Australian Government in areas of administrative, constitutional, civil, family and international law, law reform, bankruptcy estate administration and regulation. In addition, the portfolio also covers Commonwealth courts and tribunals, legal aid, native title, national and international human rights issues, censorship, criminal law and law enforcement, national security, emergency management, some aspects of customs and border control, administration of territories and management of the Australian Government's interests in the National Capital.

4.23 The MOG changes of 3 December 2007 resulted in added responsibilities for AGD including:

- the administration of Territories – including the day to day administration of Australia's Indian and Pacific ocean territories; Australian Government responsibilities on Norfolk Island; constitutional development of the Northern Territory and the ACT, and oversight of the National Capital Authority; and
- natural disaster relief and mitigation.

4.24 In addition, due to the MOG changes and various policy decisions of the Government, the Attorney-General's portfolio no longer includes the Office of the Privacy Commissioner which has been moved to the Prime Minister & Cabinet portfolio. The former Office of Film and Literature Classification has been absorbed into AGD from 1 July 2007 and is therefore no longer a separate financial reporting agency. Also, from 1 July 2007, resources for the Australian Commission for Law Enforcement Integrity shifted from within AGD and it is now a separate reporting agency within the portfolio.

Attorney-General's Department

4.25 The MOG changes added a considerable workload to AGD during the year, particularly in relation to its central administrative functions. This included increasing the range of issues and complexity relating to the preparation of the 2007–08 financial statements. While no major issues arose and the department generally managed the financial reporting issues relating to the MOG changes well, some delays did occur and a significant amount of work was compressed into the latter part of the financial statement preparation and audit timetable.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	241.2	232.0
Total expenses	252.9	217.9
Total assets	218.5	180.5
Total liabilities	62.6	51.2

4.26 The increase in expenses relates to an increase in employee expenses and a write-down of IT intangible assets under development. The increase in employee expenses was partially the result of the MOG changes relating to AGD assuming responsibility for Territories, and natural disaster relief and mitigation.

4.27 The increase in assets is primarily due to a higher appropriation receivable balance at year end and a substantial increase in building leasehold improvements purchased during the year.

4.28 Movements in other items were the results of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	52.6	12.1
Total expenses	808.5	470.7
Total assets	819.8	341.4
Total liabilities	624.7	566.6

4.29 The large increases in administered income, expenses, assets and liabilities mainly relate to the transfer of functions as a result of the MOG changes during the year.

4.30 In addition, administered expenses increased as a result of:

- higher grant payments attributable to a number of programs such as the Family Relationship Services program, APEC, Indigenous programs and others; and
- higher subsidy payments made for refurbishment project costs of the Law Courts building in Sydney; and for expenses incurred by the National Counter Terrorism Committee.

4.31 Administered assets also increased due to increases in the holding value of associated and controlled entities.

Audit results

Summary of audit findings

4.32 The ANAO reported one moderate control weakness at the interim stage of the 2007–08 audit relating to a lack of an up-to-date and fully tested Disaster Recovery Plan. The final audit phase found that AGD had satisfactorily addressed this issue.

4.33 A moderate audit issue was noted in the final audit relating to the maintenance of adequate accounts and records to support the decisions underpinning the valuation of the Law Courts Limited administered investment. This issue assumes greater significance in 2007–08 due to the substantial level of expenditure on the upgrade of the Law Courts' building in Sydney.

4.34 AGD also resolved a number of issues before the finalisation of the audit of the 2007–08 financial statements, including improving the timeliness of obtaining underpinning valuation information from Law Courts Limited.

4.35 The following table provides a summary of the status of previously reported audit issues as well as new audit issues raised in the 2007–08 audit.

Ratings	Opening position at end of interim phase	Issues resolved during final audit phase	New issues identified during final audit phase	Closing position at conclusion of final audit
A	0	0	0	0
B	1	(1)	1	1
Total	1	(1)	1	1

Australian Customs Service

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 265.1	1 211.6
Total expenses	1 264.9	1 213.4
Total assets	612.8	563.0
Total liabilities	228.5	213.3

4.36 Customs' income for 2007–08 increased principally due to additional appropriations for Budget initiatives including the development of the Australian Maritime Identification System (AMIS); law enforcement and environmental management for Ashmore Reef National Reserve; the development of a traveller assessment and clearance system (Smartgate) using face recognition technology; and for Coastwatch operations in the northern waters of Australia.

4.37 The movement in expenses is largely the result of an increase in expenditure relating to the activities identified above.

4.38 The increase in assets is mainly related to the continued expansion of activities in northern Australia and the purchase and construction of land and buildings to support operations. Increases in infrastructure, plant and equipment were due to installations of new technology allowing certain

travellers to self-process through passport control in Brisbane and Cairns international airports; and country wide upgrades to surveillance and monitoring equipment.

4.39 The movement in liabilities is attributable to a rise in employee provisions associated with an increase in staff numbers and collective agreement salary adjustments.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	6 629.8	6 185.4
Total expenses	2.9	16.4
Total assets	121.6	113.6
Total liabilities	8.7	12.9

4.40 The increase in administered income was primarily due to a 10 per cent rise in Customs duty collected. The increase in duty collections reflects the introduction of excise duty legislation raising tariff rates effective from August 2007, as well as a result of higher petrol prices and increased imports of cars from Japan.

4.41 The decrease in administered liabilities relates to the closure of a special account established to enable expenditure on the development of industry-related systems. The balance remaining in the special account was distributed in accordance with an agreement with industry.

Audit results

Summary of audit findings

4.42 The ANAO reported two moderate audit issues in the interim phase of the audit. These issues relate to:

- asset management – the ANAO testing found that for a number of assets, the location recorded in the asset register was not correct; and
- IT user security controls – inconsistencies between the Customs ICT Security Policy and the procedures being applied in a number of the information systems were noted, exposing Customs to an increased risk of unauthorised and inappropriate access or changes to information systems.

4.43 Customs has made positive progress in resolving these control weaknesses, but further remedial action is required. The ANAO will review the action taken as part of the 2008–09 audit.

4.44 There were no new significant or moderate audit issues identified during the final phase of the audit.

4.45 The following table provides a summary of the status of previously reported audit issues.

Ratings	Opening position at end of interim phase	Issues resolved during final audit phase	New issues identified during final audit phase	Closing position at conclusion of final audit
A	0	0	0	0
B	2	0	0	2
Total	2	0	0	2

Australian Federal Police

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 209.2	1 089.3
Total expenses	1 252.7	1 095.3
Total assets	667.4	565.7
Total liabilities	264.5	215.7

4.46 The increase in income is primarily due to the approval of significant additional funding from government over recent years to address the increasing range of Commonwealth law enforcement interests in Australia and overseas. The AFP also received an increase in funding (\$14 million) from the ACT Government for ACT community policing during 2007–08.

4.47 Expenses generally increased for similar reasons to income. However a number of one-off expenses were also incurred that resulted in increased expenditure for the year. These one-off expenditures included a \$7.6m provision for redundancies, a \$10 million write-off for Anzac Park West preliminary capital refurbishment costs, and an \$11 million provision for anticipated lease break costs also relating to Anzac Park West.

4.48 The AFP did not need to record an income tax equivalent expense for 2007–08 as it has in the past. This reflects a decline in the financial results of the Protective Service function of the AFP. The AFP Protective Services provide services on a ‘for profit’ basis and are therefore subject to the Competitive Neutrality Policy of the government. Income tax equivalent expenses are payable to the Official Public Account.

4.49 Assets increased primarily due to increases in government appropriations receivable and a range of asset purchases that have expanded the AFP’s asset base. These asset acquisitions have been funded through capital injections from the government which totalled \$91 million in 2007–08.

4.50 Liabilities have also increased significantly mainly due to an increase in employee liabilities (up \$30 million which includes a \$7.6 million provision for redundancies), and the provision for anticipated lease break costs of \$11 million.

Audit results

Summary of audit findings

4.51 Two moderate audit issues were identified during the 2007–08 interim audit.

4.52 The ANAO identified that payroll staff had limited access to their own payroll records. The AFP immediately updated their system to ensure that employees were no longer able to adjust their own pay records and verified that this access had not been mis-used.

4.53 The audit also found that a significant number of local server administrators with access to a large range of servers instead of access only to those servers relevant to their roles. Administrators should only have access to those relevant to their responsibilities. The AFP have advised that they have addressed this finding. A review of the actions taken will be undertaken as part of the 2008–09 audit.

4.54 There were no significant or moderate audit issues identified during the 2007–08 final audit.

4.55 The following table provides a summary of the status of previously reported audit issues.

Ratings	Opening position at end of interim phase	Issues resolved during final audit phase	New issues identified during final audit phase	Closing position at conclusion of final audit
A	0	0	0	0
B	2	(1)	0	1
Total	2	(1)	0	1

Australian Government Solicitor

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	128.6	122.8
Total expenses	119.5	112.2
Total assets	81.5	79.1
Total liabilities	47.7	48.5

4.56 Movements in all items were the results of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.57 There were no significant or moderate audit issues identified during the 2007–08 audit.

Family Court of Australia

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	142.8	140.1
Total expenses	141.4	141.2
Total assets	51.8	51.9
Total liabilities	27.8	30.0

4.58 There were no significant movements in these measures during 2007–08.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1.3	1.9
Total expenses	0	0
Total assets	0	0
Total liabilities	0	0

4.59 The decrease in administered income, which relates to court fees, reflects a reduction in the volume of cases commencing in the Family Court. Over recent years, changes in the family law system have increased the number of family disputes resolved by interventions other than court proceedings. In addition, less complex cases that still require court determination are increasingly being handled by the Federal Magistrates Court, with only the most complex and intractable disputes now being dealt with by the Family Court.

Audit results

Summary of audit findings

4.60 There were no significant or moderate audit issues identified during the 2007–08 audit.

High Court of Australia

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	15.3	15.0
Total expenses	16.2	15.0
Total assets	195.9	191.9
Total liabilities	2.2	2.3

4.61 There were no significant movements in income, expenses, or liabilities during 2007–08. The minor fluctuations were due to fluctuations in normal business activities.

4.62 The increase in assets mainly reflects a revaluation of the Court's library assets, offset by a small loss on disposal of land flowing from a minor change in the boundaries of the High Court building's in relation to the construction of the adjoining National Portrait Gallery.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1.1	1.1
Total expenses	0	0
Total assets	0	0
Total liabilities	0	0

4.63 There were no movements in these measures during 2007–08.

Audit results

Summary of audit findings

4.64 There were no significant or moderate audit issues identified during the 2007–08 audit.

National Capital Authority

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	21.7	19.7
Total expenses	21.6	20.4
Total assets	21.9	15.6
Total liabilities	9.0	7.8

4.65 The increase in assets was mainly the result of valuation increments on buildings, infrastructure, plant and equipment made during the year.

4.66 The movements in income, expenses and liabilities were the result of fluctuations in normal business activity.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	31.4	3.9
Total expenses	11.3	9.7
Total assets	671.7	456.8
Total liabilities	0.9	0.7

4.67 The increase in administered income was primarily due to the transfer of assets from the ACT Government on a free of charge basis. The movement in expenses was the result of fluctuations in normal business activity.

4.68 The increase in administered assets was mainly the result of valuation increments on leasehold land, buildings on leasehold land, infrastructure, plant and equipment, and heritage assets during the year.

Audit results

Summary of audit findings

4.69 There were no new significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.70 Significant or moderate issues impacting on the non-material entities of the Australian Crime Commission (ACC), Australian Security Intelligence Organisation (ASIO), and the Office of the Commonwealth Director of Public Prosecutions (CDPP) are detailed below. No other non-material entity within the portfolio had significant or moderate issues reported.

Australian Crime Commission

4.71 During the 2007–08 interim audit, a moderate audit issue was identified relating to weaknesses in the IT security framework of the newly implemented financial management and human resources information system. The weaknesses identified related to security documentation; privileged user access; security configurations; and user access management including user access reviews, monitoring controls and access removal for non-continuing staff. ACC have undertaken, or commenced, a range of actions to address and/or minimise the risks associated with these issues, including amendment or removal of inappropriate system access.

4.72 During the 2007–08 final audit a number of weaknesses were identified in the financial statement preparation processes, including inadequate quality assurance and review. This follows on from similar observations made in the previous year. As a consequence, the 2007–08 finding on weaknesses regarding financial statement preparation has been reassessed to a moderate audit issue. The issues caused delays in both the preparation and audit of the financial statements. The ANAO has recommended a range of improvements in future financial statement preparation processes.

4.73 A review of actions undertaken by ACC in relation to the two audit issues outlined above will be undertaken as part of the 2008–09 audit.

Australian Security Intelligence Organisation

4.74 During the interim and final phases of the 2007–08 audit, the ANAO identified a moderate control issue in relation to ASIO's method of determining their year end provision for employee entitlements.

4.75 Due to a combination of data recording and leave reporting shortcomings in its Human Resource Management Information System (HRMIS), ASIO downloads base data from the HRMIS into a spreadsheet to calculate its leave provisions for employee entitlements. Several weaknesses

were noted in relation to the method and processes used to download the information. In addition, the spreadsheet contained design flaws which reduced the confidence that could be placed on the calculations. These issues increase the potential risk of the employee entitlements balance in ASIO's financial statements being inaccurate.

4.76 The issue does not impact on the accuracy of leave payments to staff members as ASIO has adopted a compensating approach whereby these payments are based on manual calculations using information in individual personnel files rather than using the HRMIS. This approach is not as efficient as a systems based approach.

4.77 ASIO has advised it is progressing with a data integrity validation process as a pre-requisite to upgrading the HRMIS that will rectify the weaknesses identified. The 2008–09 audit will include a review of remedial actions taken.

Office of the Commonwealth Director of Public Prosecutions

4.78 The 2007–08 interim audit identified a number of weaknesses in the security framework surrounding the SAP financial management system used by CDPP. The audit identified that a SAP system security plan was not in place and system access controls were largely informal and unsupervised at a central level. CDPP have indicated that it will undertake a full review of the SAP security framework and implement a range of improvements as part of preparations for a SAP system up-grade planned for 2008–09.

4.79 The final audit phase reported a moderate audit issue in relation to some aspects of the financial statement preparation processes employed by CDPP. This included issues associated with asset revaluations, asset policy disclosures, and inadequate quality assurance and review. The issues caused significant delays in both the preparation and audit of the financial statements. CDPP has indicated that its financial statement processes for 2008–09 will be strengthened.

4.80 The ANAO will include the review of remedial actions taken by CDPP as part of the 2008–09 audit.

Broadband Communications and the Digital Economy Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Broadband, Communications and the Digital Economy	Yes	✓	15 Sept 08	16 Sept 08	◆
Australian Broadcasting Corporation	Yes	✓	30 Jul 08	30 Jul 08	
Australian Communications and Media Authority	Yes	✓	9 Sept 08	10 Sept	
Australian Postal Corporation	Yes	✓	28 Aug 08	28 Aug 08	
NetAlert Ltd ³¹	No				
Special Broadcasting Service Corporation	Yes	✓	13 Aug 08	13 Aug 08	
– Multilingual Subscriber Television Limited	No	✓	13 Aug 08	13 Aug 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.81 The MOG changes of 3 December 2007 established the Broadband, Communications and Digital Economy portfolio, replacing the former Communications, Information Technology and the Arts portfolio. The Cultural and Arts functions were then transferred to DEWHA, the Sports functions were transferred to DHA and the information communications program was transferred to DIISR. The portfolio has retained its responsibilities for the development of communications, broadcasting and related policies and codes of practice. This includes responsibility for the promotion of the digital economy and oversight of associated regulations. The changes in portfolio

³¹ In September 2007 NetAlert Ltd appointed a liquidator and in doing so became exempt from future reporting requirements under the *Corporations Act 2001* and the CAC Act. NetAlert was deregistered in November 2008.

arrangements reflect an increase in the importance of broadband and communications to the digital economy.

Department of Broadband, Communications and the Digital Economy

4.82 The abolition of the former Department of Communications, Information Technology and the Arts (DCITA) and the subsequent transfer of functions, staff and appropriation funding to the four other departments on 3 December 2007 created challenges for the new department.

4.83 The additional workload created by the MOG changes had the greatest impact in the finance and corporate areas. It took a number of months for the transfer of corporate functions to be finalised, and in the interim period, the Department of Broadband, Communications and the Digital Economy (DBCDE) continued to provide human resource and IT support to other agencies for a number of functions transferred. Negotiations over the amount of appropriations to be transferred to receiving departments were lengthy and not finalised until late June 2008. The financial statement preparation timetable was extended and signing of the financial statements was about a month later than the original timetable. The additional complexity of the 2007–08 financial statements and of the inter-entity transfers stemming from the MOG changes also impacted on the planned audit approach and resulted in the ANAO incurring higher than expected costs in finalising the audit.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	116.2	155.7
Total expenses	128.3	130.4
Total assets	94.2	167.6
Total liabilities	26.7	32.7

DBCDE's 2007–08 Departmental financial results incorporate DCITA's income and expenses for the period 1 July 2007 to 3 December 2007 and the 2006–07 comparative results are those reported by DCITA.

4.84 The decrease in income was largely attributed to the transfer of functions and appropriations associated with the MOG changes of 3 December 2007.

4.85 The decrease in expenses is the result of a significant reduction in the number of employees who were transferred to other departments. These transfers also resulted in a significant reduction in related employee and operational expenses compared to the prior year. These decreases were partly offset by increases in legal and contractor expenses associated with the management of the newly established department.

4.86 Decreases in asset values are explained in the main by the transfer of heritage and cultural assets to DEWHA together with the transfer of prior year appropriation receivable to other departments.

4.87 The reduction in liabilities is also linked to the MOG changes. Staff transfers significantly reduced the value of employee provisions.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	477.1	18 099.1
Total expenses	358.8	471.7
Total assets	6 316.1	11 902.6
Total liabilities	21.5	23.0

DBCDE's 2007–08 Administered financial results incorporate DCITA's income and expenses for the period 1 July 2007 to 3 December 2007 and the 2006–07 comparative results are those reported by DCITA.

4.88 The reduction in administered income is a result of the unusually high level of income reported in 2006–07 associated with the sale of T3 Telstra shares and the consequential loss of dividend income in 2007–08. This decrease was marginally offset in 2007–08 by increased dividends per share from Australia Post and increased earnings from the Communications Fund investment.

4.89 Administered expenses reduced following the transfer of a number of significant administered grants programs to other departments on 3 December 2007, and a decrease in subsidy expenditures in 2007–08 associated with broadband access programs under the Broadband Guarantee program.

4.90 The substantial reduction in administered assets is explained by a \$6.3 billion transfer of investments and fixed assets to DEWHA and DHA as a result of the MOG changes. This reduction was partially offset by an increase in the value of investments in the Australian Broadcasting Corporation and the Australian Postal Corporation.

Audit results

Summary of audit findings

4.91 During the 2007–08 interim audit phase, the ANAO identified that DBCDE was unable to provide evidence that it had an agency banking agreement with its transactional banker which fulfilled the requirements of the FMA Act and the Agency Banking framework. DBCDE had also overdrawn its bank accounts on 15 occasions and the ANAO noted instances where the debit balance was not adjusted on the following working day.

4.92 This audit finding has now been resolved. DBCDE established a formal agency banking agreement with its transactional banker in July 2008 and procedures are in place that provide for any debit (overdrawn) balances to be adjusted on the following working day.

4.93 A new moderate audit finding was identified during the final phase of the audit, in relation to weaknesses in the financial management reporting of expenses and accruals relating to broadband subsidy programs. Deficiencies in the reconciliation processes between financial records managed by the program area and the general ledger resulted in the accounts being materially overstated. As a result, material adjustments were made to the draft financial statements.

4.94 ANAO Audit Report No.44 noted that a review of DBCDE's accounting of appropriations in the period following the AAOs of 3 December 2007 and 25 January 2008 was being conducted. This review was finalised as part of the 2007–08 final audit and no legislative breaches were identified.

4.95 The following table provides a summary of the status of previously reported audit issues, as well as new issues raised during the final phase of the 2007–08 audit:

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	1	1
Total	1	(1)	1	1

Australian Broadcasting Corporation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 058.2	994.7
Total expenses	1 046.0	976.5
Total assets	1 255.2	1 046.2
Total liabilities	288.1	286.5

4.96 The increase in income is mainly due to an increase in appropriation funding, an increase in revenue from the sale of goods and services and a one-off insurance settlement.

4.97 The increase in expenses is due to higher salary and supplier expenses incurred in generating additional non-appropriation revenue. This was partly offset by the reduction in the amortisation of program costs and the write down and impairment of some assets.

4.98 The increase in assets is mainly as a result of revaluation increases in land and buildings.

4.99 The movement in liabilities was not significant and was the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.100 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Communications and Media Authority

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	99.0	84.6
Total expenses	99.1	86.6
Total assets	61.8	55.8
Total liabilities	26.2	23.7

4.101 The increase in departmental income and expenses is mainly attributable to funding received for, and expenses associated with, the implementation of the Protecting Australian Families Online program and the Australian Internet Security Initiative.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	708.4	697.4
Total expenses	170.8	191.1
Total assets	326.6	313.2
Total liabilities	11.6	7.4

4.102 The movement in administered expenses is due to the reduction in the demand for services delivered in relation to the National Relay Service and the Universal Service Obligation.

4.103 All other movements in departmental and administered items were the result of fluctuations in normal business activities.

Summary of audit findings

4.104 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Postal Corporation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	4 936.9	4 678.4
Total expenses	4 326.4	4 117.2
Total assets	5 477.0	5 490.5
Total liabilities	2 667.1	2 678.1

4.105 Income increased in all areas. However, the major increase was in the parcels and logistics area. As a result there was a corresponding increase in the purchase of services. All other movements were in accordance with normal business activities.

Audit results

4.106 There were no significant or moderate audit issues identified during the 2007–08 audit.

Special Broadcasting Service Corporation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	258.6	240.5
Total expenses	258.5	240.4
Total assets	228.3	232.1
Total liabilities	81.1	91.3

4.107 The increase in income is mainly attributable to higher appropriation funding and increase in advertising revenue due to higher advertising rates and greater use of advertising time.

4.108 The increase in expenses is mainly due to an increase in the amortisation of commissioned programs and increased expenditure for the continued roll-out of digital distribution and transmission to regional areas.

4.109 The decrease in assets is mainly due to accelerated depreciation of a number of digital assets that reached the end of their useful life in

2007–08. These assets have not been replaced pending a decision on the future ownership of transmission facilities.

4.110 The decrease in liabilities is mainly due to a reduction in the provision for the repayment of unspent digital monies as a result of an increase in digital expenditure in 2007–08.

Audit results

4.111 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.112 There were no significant or moderate audit issues identified in non-material entities within this portfolio in 2007–08.

Defence Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Defence	Yes	✓	2 Oct 08	2 Oct 08	▲◆
Army and Air Force Canteen Service	No	✓	4 Sept 08	4 Sept 08	
Australian Military Forces Relief Trust Fund	No	✓	27 Aug 08	29 Aug 08	
Australian Strategic Policy Institute Ltd	No	✓	5 Sept 08	5 Sept 08	
Australian War Memorial	Yes	✓	12 Aug 08	12 Aug 08	
Defence Housing Australia	Yes	✓	15 Aug 08	15 Aug 08	
Defence Materiel Organisation	Yes	✓	12 Sept 08	12 Sept 08	◆
Defence Service Homes Insurance Scheme	No	✓	28 Aug 08	3 Sept 08	
Department of Veterans Affairs	Yes	✓	28 Aug 08	29 Aug 08	
Military Superannuation and Benefits Board of Trustees No. 1	No	✓	5 Sept 08	8 Sept 08	
Military Superannuation and Benefits Scheme	No	✓	5 Sept 08	8 Sept 08	
Royal Australian Air Force Veterans' Residences Trust Fund	No	✓	22 Sept 08	22 Sept 08	
Royal Australian Air Force Welfare Trust Fund No. 3	No	✓	13 Aug 08	18 Aug 08	
Royal Australian Navy Relief Trust Fund	No	✓	26 Sept 08	29 Sept 08	
Royal Australian Navy Central Canteen Board	No	✓	1 Oct 08	1 Oct 08	
Lyons Joint Venture	No	✓	19 Aug 08	28 Aug 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

⌘: financial year end date other than 30 June 2008

☐: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.113 The Defence portfolio consists of the Department of Defence (Defence), the Department of Veterans' Affairs (DVA), the Defence Materiel Organisation (DMO) and a number of other statutory and non-statutory bodies. The portfolio is responsible for developing, implementing and administering policies, programs and services to defend Australia and its national interests and also for carrying out government policy and implementing programs to fulfil Australia's obligations to war veterans and their dependents, as well as providing compensation claims management services to currently serving and former members of the Australian Defence Force (ADF).

Department of Defence

Summary of Financial Results

Departmental items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	21 085	18 573
Total expenses	21 687	19 049
Total assets	58 964	57 669
Total liabilities	3 957	3 507

4.114 Defence income increased mainly due to increased funding for military activity in overseas operations and the maintenance of Defence funding growth at 3 per cent (in line with the Defence White Paper).

4.115 The increase in expenses was due to greater employee and supplier expenses and an increase in write-down and impairment of assets as outlined below:

- employee expenses increased due to an increase in salary rates and staffing numbers, the effect of an increase in rent paid to Defence Housing Australia (DHA) due to a change in market rates, and an increase in allowances for the two main operations undertaken in 2007–08;
- supplier expenses increased mainly due to the impact of a prior period adjustment for General Stores Inventory (GSI) pricing relating to 2006–07, an increase in DMO sustainment and acquisition and an increase in garrison support charges. Other increases included recruitment services

due to the requirement of Defence Force Recruiting to deliver an increase in recruits and an increase in estate upkeep, which were offset by a decrease in freight and storage costs; and

- the write-down and impairment of assets represents the write-down and impairment of financial assets, Specialist Military Equipment (SME), fixed assets and inventory. The expense movement is predominantly the impact of the cancellation of the Seasprite project and corrections in 2006–07 of the provision for obsolescence for GSI and Explosive Ordnance (EO).

4.116 Assets increased primarily due to increases in land and buildings, infrastructure, intangibles, inventories, prepayments and assets held for sale, offset by a reduction in SME and plant and equipment. Land and buildings increased as a result of additional purchases and revaluation increments offset by depreciation charges for 2007–08. The balance of SME reduced in comparison to 2006–07 primarily reflecting additions, offset by depreciation expenses and the impact of the Government’s decision to cancel the Seasprite project. The increase in prepayments in comparison to 2006–07 was a result of the re-phasing of Assets Under Construction (AUC) project activities from the 2007–08 financial year into future years. Assets held for sale comprise SME, land, buildings and other infrastructure plant and equipment that Defence held for sale at year-end. The increase in the composition of this balance reflects the proposed disposal of several properties and the disposal plans attributable to several SME assets.

4.117 Defence’s liabilities increased principally due to increases in supplier payables, other payables, employee provisions, decontamination provisions and leases. Supplier payables increased as a result of an increase in accrued trade creditors due to an increase in activity, consistent with expectations, and given a corresponding increase in travel and general purchases. The increase in other payables reflected the inclusion in the balance at year end of a GST refund payable to DMO at 30 June 2008 that had been received by Defence in June 2008. This amount was subsequently paid to DMO in July 2008. The movement in employee liabilities was due to the impact of salary increases under the respective workforce agreements and the impact of additional staff numbers from recruitment campaigns. The decontamination provision increased as a result of the recognition of additional provisions and a revision to existing provisions. Finance lease liabilities increased in 2007–08 as a result of additional finance leases.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	892	790
Total expenses	2 892	2 805
Total assets	1 207	1 188
Total liabilities	33 647	32 478

4.118 The increase in administered income was mainly the result of an increase in dividends received from DHA due to a timing difference from the declaration of dividends and reporting of obligations by DHA, and an increase in employer contributions under the Military Superannuation Benefits Scheme (MSBS) as a result of an increase in wages and member numbers in 2007–08.

4.119 The movement in administered liabilities reflects the impact of the superannuation liability for the Defence Force Retirement and Death Benefits (DRFDB) and MSBS schemes. Increases in these balances is a result of higher than planned CPI pension increases, the impact of wage increases and lower than expected exit rates.

4.120 There were no significant movements in administered expenses and assets.

Audit results

4.121 An unqualified audit report was issued on 2 October 2008.

4.122 The unqualified audit report for 2007–08 represents a significant achievement by Defence and is the culmination of considerable activity over the past several years enhancing Defence's financial management framework through continued remediation activity.

4.123 A summary of the activity that contributed to the removal of the reported management and audit qualification in previous years is provided below.

General Stores Inventory (GSI)

4.124 GSI is a component of Defence's key logistics management system, the Standard Defence Supply System (SDSS). Historically, Defence's financial statements were qualified as a result of uncertainty in both GSI quantities and pricing which resulted in a material uncertainty over the value of the inventory

balance and prevented Defence from complying with the requirements of Australian accounting Standard AASB 102 *Inventories*. This Standard requires inventories to be measured at cost, adjusted when applicable for any loss of service potential.

4.125 To address the management and audit qualification over the GSI balance, three separate streams of activity were undertaken in 2007–08 relating to: quantities; pricing; and controls.

Quantities

4.126 At the completion of the 2006–07 audit, issues remained with regard to the completeness and existence of the GSI balance. These uncertainties have been appropriately mitigated in 2007–08 as a result of a combination of stocktaking activity, third party assurance activity (including sampling, controls testing and the verification of the integrity of reporting of stocktake results) and additional ANAO testing.

Pricing

4.127 Defence's approach to validating pricing of GSI in 2007–08 involved the segmentation of the GSI balance and conducting an extensive, statistically based sampling validation exercise across the various segments in order to assess the accuracy of stock pricing records. Defence engaged a statistician to assist in conducting the validation exercise. For this exercise, a sample of inventory items was drawn and checked against documentation sourced from various locations within Defence. A high error rate was identified in the sample.

4.128 Following an assessment of the results of this validation exercise that involved an extrapolation across the GSI balance of the error rates within the sample, Defence adjusted the financial statement balance of GSI as at 1 July 2007 by \$185.96 million to respond to the assessed understatement of the GSI balance. As a result, Defence and the ANAO were able to obtain reasonable assurance over the balance of GSI in the 2007–08 financial statements. This sampling process will need to be re-performed annually to ensure the GSI balance is materially correct.

4.129 Nevertheless, the statistical analysis undertaken continued to highlight issues with the integrity and reliability of pricing information in SDSS. In particular, specific remediation over purchasing and pricing processes including workshop order processes will be required. As such, the adequacy

and reliability of the SDSS control environment remains an ongoing issue. This will be an important issue to address in 2008–09.

4.130 With the planned introduction of a replacement logistics system to SDSS, there also remains an exposure that poor quality data within SDSS may be uploaded into this replacement system. Therefore the establishment of a robust effective control environment around the new system will need to be supplemented by ongoing remedial action to identify and eliminate these deficiencies.

Summary of other audit findings

4.131 During the final phase of the 2007–08 audit, the ANAO found that Defence had resolved 7 significant and 26 moderate risk issues. At the finalisation of the 2007–08 audit, 3 significant and 24 audit moderate risk issues remained.

Financial Management Framework

4.132 The Defence financial management framework encompasses ongoing monitoring of the controls and reporting processes in place over financial transactions and balances within Defence. At the completion of the 2006–07 audit, the ANAO had reported two issues in relation to the Financial Management Framework, relating to:

- a need for greater oversight and management of the arrangements between DMO and Defence; and
- deficiencies in quality assurance and reporting processes over financial transactions.

4.133 At the completion of the 2007–08 audit, these issues remained unresolved.

Logistics Management General Stores Inventory and Specialist Military Equipment

4.134 The 2006–07 final audit identified the need to address the following issues relating to GSI and SME management processes within Defence:

- enhancing the analysis and management of variances from the reconciliation between SDSS and ROMAN (Defence's financial management information system);
- improving the execution of third party assurance processes over Repairable Items (RIs) to validate the existence of items;

- the inappropriate netting and reporting of stocktake adjustments for RIs within the financial statements;
- reviewing the existing asset capitalisation policy for determining the point of consumption for GSI to ensure the completeness of the reported balance;
- improving Defence's system for consolidating, reporting and monitoring of stocktake results;
- reconciling SDSS with the fixed asset register for sensitive assets;
- improving the management of the security of information and documentation in support of the reconciliation process of SDSS with ROMAN;
- continuing to improve processes for the return of unused Naval stocks to warehouses;
- improving the completeness and integrity of records of SME and commercial vehicles; and
- enhancing the execution of pricing validation exercises for GSI and RIs.

4.135 In 2007–08 Defence completed comprehensive remediation activity to assess GSI quantities and legacy pricing issues (as outlined above). However, at the completion of the 2007–08 audit, a number of significant and moderate rated issues were raised in relation to:

- the analysis and management of variances from the reconciliation of SDSS and ROMAN;
- the effectiveness of pricing controls and the need for specific remediation over purchasing and pricing processes, and in particular, for workshop order processes;
- the oversight of pricing remediation activities in relation to items purchased prior to 2000;
- improving controls and documentation in relation to the cyclical stocktake program;
- reviewing the reporting processes of stocktake results to the DAC;
- improving procedural documentation and controls around the use of queries and databases in the performance of GSI verification activities;

- the completeness and integrity of records of SME and commercial vehicles;
- the remediation and processing of Royal Australian Navy returns;
- inconsistencies in the financial classification and the combination of stock type and stock classifications in contradiction of policy outlined in the Defence Supply Chain Manual;
- the verification and stocktaking of RI holdings; and
- non-SDSS inventory, relating to a prior year issue of a category of inventory purchased by Defence which was not recorded on SDSS and was issued directly to contractors.

Logistics Management Explosive Ordnance

4.136 The 2006–07 final audit identified the following issues relating to the Explosive Ordnance (EO) management processes within Defence:

- a lack of regular monitoring and control over items processed through EO disposal accounts, and a lack of supporting documentation and appropriate authorisation for EO disposals and destructions; and
- a lack of a documented and controlled environment for calculating the Provision for Obsolescence for EO, including a lack of formal review and analysis of movements and process documentation.

4.137 At the final phase of the audit, the ANAO identified some improvement in these areas.

Purchase to Pay

4.138 At the completion of the 2006–07 audit, significant control issues were noted in relation to a number of separate component groups that comprise the broader purchasing and payment system and business processes known as 'Purchase to Pay'. These issues related to accounts payable management, the Card Management System³² (CMS), the Master Supplier Register³³ (MSR) and the Invoice Scanning and Imaging System³⁴ (ISIS). In response to these

³² The Card Management System is the system used to manage Defence's corporate credit card transactions.

³³ The Master Supplier Register is Defence's single authoritative source for vendor related data.

³⁴ The Invoice Scanning and Imaging System is the system used to increase the efficiency of payments made on invoices received by utilising data imaging technology.

matters, Defence established the 'Purchase to Pay' Tiger Team to assist in the remediation of issues. Accordingly, improvements to several issues reported in 2006–07 were noted, including:

- user access management, fraud control and the quality assurance framework within CMS;
- the management of business continuity processes for ISIS;
- user access management framework for the MSR; and
- recovery testing process and business continuity planning for CMS.

4.139 The issues that remained outstanding at the conclusion of the 2007–08 audit included the need to:

- strengthen the procurement delegations and approvals procedures and the need to implement controls to prevent the processing and payment of duplicate invoices;
- improve the data quality and management of vendor records;
- improve compliance with policies and procedures for the management and use of purchase and travel cards;
- address deficiencies in the change management framework for the MSR; and
- address weaknesses in the change management and user access management frameworks for ISIS.

4.140 While the ANAO noted improvements in relation to 'Purchase to Pay', the extent of the remaining issues limited the ANAO's ability to place reliance on purchasing controls and required the ANAO to conduct extended controls and substantive testing as part of the 2007–08 audit.

Human Resource Management

4.141 The Human Resource (HR) management systems for Defence are PMKeyS for all civilian personnel transactions and military leave processing and recording, and ADFPay for military payroll processing. At the completion of the 2007–08 interim audit phase, the ANAO reported the following issues:

- the need to improve record keeping procedures, exception processing and payroll processes for civilian employees;

- the need to improve the performance and review of input reports in ADFPay;
- the need to reconcile records from the PMKeyS interface with ADFPay;
- insufficient password parameters and incorrect completion of access forms, creating the potential for unauthorised access to ADFPay; and
- issues surrounding the administration of security audits within PMKeyS.

4.142 At the completion of the 2007–08 audit, Defence had made improvements in relation to the latter two issues. The remaining issues remained outstanding.

General Asset Management

4.143 At the completion of the 2006–07 audit, an issue remained unresolved relating to the need to strengthen the processes of assessing impairment of general assets. This issue was reassessed during the 2007–08 audit and improvements were noted.

Commitments and Leasing

4.144 At the completion of the 2006–07 audit, the ANAO noted the following issues:

- delays in the preparation and reporting of the Commitments schedule and insufficient quality assurance and documentation available to substantiate significant components of the schedule;
- concerns as to the completeness of Defence’s contract register and a lack of reconciliation of the register to the general ledger; and
- concerns as to the accuracy and completeness of Defence’s master lease register.

4.145 The above issues were reassessed during the 2007–08 final audit and given extensive activity by Defence, improvements were noted in relation to the delays in the preparation and reporting of the Commitments schedule. Due to a change in the approach for preparation of the schedule in 2007–08, the second and third issue have been resolved.

General Controls Environment

4.146 The IT general control environment includes the management of a broad range of operating systems and process controls. In 2006–07, issues were

noted in relation to a lack of an overarching Defence Business Continuity Plan, a need to improve the segregation of duties, and inappropriate programmer access within the access control facility that provides access to Defence's key financial and inventory systems. The 2007–08 interim audit identified that Defence had made improvements in the latter two issues. During the final phase of the audit, the ANAO reassessed the status of the remaining issues and noted improvements in relation to the testing and approval of Defence's Business Continuity Plan.

Financial Management Information System

4.147 During the 2006–07 audit, the ANAO continued to identify inappropriate segregation of duties relating to user access management and insufficient review processes surrounding application security for the Financial Management Information System (FMIS). At the completion of the 2007–08 audit, these issues remained outstanding with additional moderate issues raised in relation to user access management and configuration settings within the FMIS.

Budget and reporting system

4.148 The ANAO's 2006–07 audit of Defence's Budget and Reporting System identified issues in relation to change management, including the need for formalised sign-off and approval processes, and the retention of appropriate documentation and segregation of duties. These system issues were reviewed by the ANAO during the final audit phase in conjunction with a Closure Pack prepared by Defence in response to these findings. These matters are now considered resolved.

4.149 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	7	(7)	3	3
B	40	(26)	10	24
Total	47	(33)	13	27

Australian War Memorial

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	48.6	47.0
Total expenses	48.2	45.1
Total assets	1 163.3	1 160.6
Total liabilities	8.0	8.3

4.150 There were no significant movements in these measures during the 2007–08 audit.

Audit results

Summary of audit findings

4.151 There were no significant or moderate audit issues identified during the 2007–08 audit.

Defence Housing Australia

Financial results

Summary of entity results

Key financial measures for year	2008 \$m	2007 \$m
Total income	824.8	837.4
Total expenses	740.6	737.1
Total assets	1 683.6	1 581.1
Total liabilities	614.3	482.5

4.152 The decrease in income is due to a decrease in inventory sales, as a result of DHA holding more housing stock as investment properties. This was partially offset by an increase in income from the provision of housing and relocation services. These services have increased due to the fact that DHA hold a larger number of investment properties than in the prior year.

4.153 The minor increase in expenses is due to increases in housing services lease rentals, rates, repairs and maintenance, and an increase in the write down and impairment of assets. The increase was offset by a reduction in the cost of

inventories sold as a result of fewer properties being disposed of in the current year.

4.154 The increase in assets is largely attributable to the increase in investment properties, as DHA has concentrated their housing purchases on strategic investment properties and retained selected properties following construction.

4.155 The increase in liabilities is due to an increase in dividends payable. Current tax liabilities also increased resulting from DHA becoming a tax paying entity in 2007–08. These increases were partially offset by a decrease in borrowings and a reduction in trade and other payables.

Audit results

Summary of audit findings

4.156 There were no significant or moderate audit issues for the 2007–08 financial year.

Defence Materiel Organisation

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	8 484.1	8 123.0
Total expenses	8 441.5	8 088.9
Total assets	2 514.1	1 945.6
Total liabilities	2 286.9	1 761.1

4.157 The increase in income and expenses is the result of fluctuations in Defence orders for equipment and supplies.

4.158 The increase in assets was largely attributable to an increase in the DMO's appropriations receivable, as a result of Assets Under Construction (AUC) project activities being delayed and re-phased from the 2007–08 financial year into future years.

4.159 The increase in liabilities is mainly due to an increase in unearned revenue from Defence and trade creditors. The increase in unearned revenue is a result of re-phasing the AUC project activities, explained above. The increase

in trade creditors is consistent with the increase in supplier expenses since 2006–07, as a result of an increase in the demand from Defence.

Audit results

Summary of audit findings

4.160 During the final phase of the audit, one significant and 10 moderate audit issues have been reported. These issues relate to: the financial reporting framework; asset management (including AUC); the Standard Defence Supply System (SDSS); and the management of bureau service arrangements for key financial systems, including the Defence personnel recording and reporting system, PMKeyS. These include three new moderate issues which relate to the financial reporting framework and SDSS.

4.161 Following the conclusion of the 2007–08 interim audit, the DMO undertook sufficient remedial action to have audit issues in the following areas resolved or reclassified: the financial reporting framework (DMO Military Workforce Payments – resolved, Reporting of Commitments – reclassified); SDSS (SDSS Controls Framework: Design and Implementation) – resolved; and asset management (General Asset Management) – resolved.

4.162 During 2007–08, significant progress was made in the delivery of quality-assured financial information throughout the year and preparation of the financial statements, which resulted in a more even spread of work during the year. DMO's implementation of the controls and assurance framework for financial reporting was in part responsible for the financial statements being signed earlier than 2006–07.

4.163 A summary of the outstanding issues at the conclusion of the 2007–08 final audit is provided below.

Financial management and reporting framework

4.164 The ANAO has continued to identify issues relating to the DMO's financial management and reporting framework. These issues include: limited internal audit coverage; the quantum, disparity, lack of consistent application and integration across project management systems; lack of timely access to supporting documentation for transactions; and limited benefit from the financial statement hard close process. While the DMO has implemented improvements to the control framework with the establishment of a controls and assurance framework for financial reporting, further management testing is required to enable reasonable assurance to be placed on the systems and

business process controls, by both management and other users of the information.

4.165 The issues identified increase the risk of material misstatement in the financial statements as well as decreasing the level of reliance management and subsequently the ANAO or other users can gain from information obtained from the financial reporting system. This also results in inefficiencies in the production and reporting of financial information and continues to place the DMO at risk of not achieving financial reporting timetables. Consistent with previous years, while there has been an improvement, the DMO did not meet these deadlines in 2007–08.

Validity of revenue recognised

4.166 As part of the established business model, the DMO recognises revenue for sustainment activities on the receipt of goods by Defence. Agreements in place between the DMO and Defence place responsibility on the DMO for providing these services to Defence for a service fee. The ANAO has identified that over the past two years, the DMO has recognised revenue for Supply Chain Assets (spares), where there has been insufficient information to recognise a corresponding asset in Defence's Fixed Asset Register. This is in conflict with the terms of the agreements between the two organisations.

Accrued expenses, contingencies and prepayments

4.167 The DMO utilises information collection packs (jobkits) to gather information from business units for the collation of the financial statements. The ANAO noted that the jobkits used by the DMO did not capture all required information, and were not subject to sufficient quality assurance procedures. This increases the risk of omitting potentially material information from the financial statements.

Bureau service arrangements for key financial systems and PMKeys

4.168 As part of the 2007–08 audit, the ANAO reviewed a number of Defence IT systems utilised by the DMO via bureau service arrangements. The systems reviewed are an integral part of the internal control framework and have a significant impact on the DMO for financial reporting purposes. The ANAO identified a number of control weaknesses within these systems. These are referred to at paragraphs 4.141 and 4.147 in the Defence audit findings.

4.169 In response to the audit findings, the DMO has established a quality assurance program and a controls and assurance framework for financial reporting, which include controls over bureau service arrangements. A review

of the framework identified a number of issues, including reliance on Defence controls without independent verification of their effectiveness, which reduces the level of assurance that can be gained by DMO management and the ANAO.

Alignment of supply chain processes to policy and procedures

4.170 The ANAO's review of SDSS controls found that a number of supply chain processes were not reflected in the SDSS IT Control Framework (SITCF) or other policy and procedural documentation, such as the Defence Supply Chain Manual (DSCM). In addition, not all users were aware of changes to mandatory guidance and explanatory material within the control framework.

4.171 The lack of currency and alignment of policy and procedures to supply chain processes increases the risk that supply chain transactions will be processed incorrectly. This situation also increases the risk of non-compliance with key controls.

SDSS IT controls framework and management assurance activities

4.172 The SITCF was implemented in late 2005 by Defence and the DMO to provide a control framework that supports requirements for the management of supply chain processes in the DSCM. Its primary objective was to enhance the operation, reliability and information quality of the transactions supported by the supply chain system and processes. In 2006–07 and 2007–08 the ANAO tested the compliance of the SITCF and third party management assurance activities. The testing identified a number of issues in the areas of: validity of the sampling methodology; reliability of conclusions drawn for work completed; completeness of controls tested; and limitations in evidence to support results.

4.173 These issues increase the risk that Defence and the DMO could reach an invalid conclusion in terms of placing reliance on controls in SDSS and, as such, results in failure in the logistics chain or inaccuracies in the costing of Defence activities.

SDSS Controls Framework: Security Compensating Controls

4.174 As part of the ongoing management of the segregation of duties within SDSS, the DMO has implemented a number of compensating controls, until satisfactory implementation of the SITCF has been achieved. It was noted that the compensating controls did not have a sufficient level of management oversight and review, some reporting requirements were not being met and access to reporting functionality was inadequate.

4.175 Without effective compensating controls, there is a risk that transactions and data within the SDSS application are not valid, accurate and authorised.

Allocation of costs within projects

4.176 The ANAO noted an inconsistent methodology and approach to the allocation of costs to AUC, and a lack of review and approval of Budgeted Cost Models (BCMs) utilised to compile their value. These factors increase the risks of errors in the value of Specialist Military Equipment (SME) asset balances and increase the risk of non-compliance with capitalisation policies.

Processing and completeness of asset roll-outs (transferred from AUC to SME completed balances)

4.177 The ANAO has continued to observe issues with timeliness and a lack of consistency in the processing and completeness of asset roll-outs leading to significant adjustments required to the AUC and SME depreciation balances. While improvements are continuing to be made, this matter is yet to be fully resolved.

4.178 The following table provides a summary of the status of previously identified audit issues as well as new audit issues identified during the 2007–08 final audit phase.

Ratings	Opening position (at end of 2008 interim phase)	Findings resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Findings reclassified (during 2008 final audit)	Closing position (at conclusion of 2008 final audit)
A	1	0	0	0	1
B	11	(3)	3	(1)*	10
Total	12	(3)	3	(1)	11

*Reporting of Commitments

Department of Veterans' Affairs

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	351.8	343.5
Total expenses	384.7	348.6
Total assets	168.2	189.6
Total liabilities	122.1	111.5

4.179 The Department of Veterans' Affairs (DVA) had an operating deficit of \$32.9m. The deficit is largely due to an increase in employee expenses due to a voluntary redundancy exercise undertaken at the end of 2007–08 and increases in salary rates in line with DVA's Certified Agreement. Other increases in expenses relate to the provision of services by contractors in relation to IT expenditure; increased amortisation of intangibles; and increases in the underwriting expenses for the Defence Service Homes Insurance Scheme.

4.180 The decrease in assets was mainly due to the utilisation of the carried forward appropriation to meet increased expenditure in 2007–08, and a decrease in debtors due to improved debt management practices.

4.181 The increase in liabilities was a result of the voluntary redundancy exercise mentioned above and increased payables at year end.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	13	3
Total expenses	10 882	10 668
Total assets	1 225	1 231
Total liabilities	2 476	2 489

4.182 DVA's administered income increased due to an increase in recoveries of payments to veterans from Britain and other allied countries.

4.183 The increase in expenses was predominantly due to health care payments which are largely demand driven based on veteran numbers and age

profile. Other increases relate to the Rehabilitation Appliances Program and additional grant funding provided for capital expenditure.

4.184 The movements in assets and liabilities were not significant and reflected fluctuations in normal business activities.

Audit results

Summary of audit findings

4.185 The ANAO reported one moderate control weakness in the interim phase of the 2007–08 audit in relation to the capitalisation of internally developed software.

4.186 DVA has developed a new policy for the capitalisation of internally developed software and has adjusted its financial records and processes to reflect the new policy. This issue is therefore considered resolved.

4.187 The following table provides a summary of the status of previously reported audit issues as well as any new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	0	0
Total	1	(1)	0	0

Comments on non-material entities

4.188 There were no significant or moderate audit issues identified in non-material entities in the portfolio in 2007–08.

Education, Employment and Workplace Relations Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Education, Employment and Workplace Relations	Yes	✓	10 Oct 08	10 Oct 08	◆
ANU Enterprise Ltd ☞ 31 December 2007	No	✓	27 Mar 08	28 Mar 08	
Australian Fair Pay Commission Secretariat	No	✓	17 Sept 08	19 Sept 08	
Australian Industrial Registry	No	✓	17 Sept 08	17 Sept 08	
Australian Learning and Teaching Council	No	✓	3 Sept 08	3 Sept 08	
Australian National University ☞ 31 December 2007	No	✓	28 Mar 08	28 Mar 08	
Australian Scientific Instruments Pty Ltd ☞ 31 December 2007	No	✓	27 Mar 08	28 Mar 08	
Coal Mining Industry (Long Service Leave Funding) Corporation	Yes	✓	10 Aug 08	10 Aug 08	
Comcare Australia	Yes	✓	5 Aug 08	5 Aug 08	◆
Office of the Australian Building and Construction Commissioner	No	✓	29 Aug 08	2 Sept 08	
Seafarers' Safety, Rehabilitation and Compensation Authority (Seacare Authority)	No	✓	11 Sept 08	11 Sept 08	
Teaching Australia – Australian Institute for Teaching and School Leadership Ltd	No	✓	19 Sept 08	19 Sept 08	
Workplace Authority	No	✓	20 Aug 08	21 Aug 08	
Workplace Ombudsman	No	✓	15 Sept 08	15 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☐: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.189 The Australian Government takes a national leadership role in education and training and aims to maximise the ability of working age Australians to participate in the workforce and to improve the productive performance of enterprises in Australia. Through its portfolio agencies, the Australian Government works with the State and Territory governments, other Australian Government agencies, various industries, and a range of contracted service providers to provide high quality policy, advice and services for the benefit of Australia.

Department of Education, Employment and Workplace Relations

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 906.4	2 031.5
Total expenses	1 882.1	2 041.2
Total assets	445.6	507.8
Total liabilities	238.8	283.2

DEEWR's 2007–08 Departmental financial results incorporates DEST and DEWR incomes and expenses for the period 1 July 2007 to 3 December 2007 and the 2006–07 comparative results are those reported by DEST and DEWR.

4.190 Income decreased during the 2007–08 financial year due to changes in funding following the MOG changes.

4.191 The decrease in expenses and liabilities was mainly due to a reduction in service delivery payments to Centrelink following the transfer of a number of functions to the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA). In addition, advertising and consultant expenses were reduced.

4.192 Assets have decreased primarily due to the transfer of assets out of the department following the MOG changes. This decrease was partially offset by the transfer in of the Childcare Management System from FaHCSIA.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 491.9	891.2
Total expenses	39 745.9	42 757.3
Total assets	21 334.5	15 389.9
Total liabilities	4 127.9	3 538.4

DEEWR's 2007–08 Administered financial results incorporate DEST and DEWR incomes and expenses for the period 1 July 2007 to 2 December 2007 and the 2006–07 comparative results are those reported by DEST and DEWR.

4.193 Administered income was higher in 2007–08 primarily as a result of the interest earned by the Higher Education Endowment Fund (HEEF), which came into existence during 2007–08, and movements in the fair value of receivables following an annual actuarial assessment.

4.194 The decrease in administered expenses was due to a reduction in personal benefits which was partially offset by an increase in grants expense. The reduction in personal benefits stems from the transfer of the Disability Support Program to FaHCSIA, as well as reductions in demand for the New Start Allowance, Parent Payment – Sole Parent and the General Employee Entitlement and Redundancy Scheme. This was partially offset by payments associated with childcare that was transferred to DEEWR as part of the MOG changes.

4.195 The increases in grant expenses are related to one-off, payments to universities under the Better Universities Renewal Funding Program, and an overall increase in grants to schools and universities as a result of indexation and higher student numbers. An increase in the fair value of the unfunded superannuation liability for universities due to a deterioration in underlying economic factors also led to an increase in expenses.

4.196 The increase in administered assets is attributable to the introduction of HEEF, and an increase in Higher Education Loan Payments (HELP) and Higher Education Contribution Scheme (HECS) receivables. These increases were partially offset by the transfer of investments to other entities following the MOG changes, the most significant of these being the transfer of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and Australian Nuclear Science and Technology Organisation (ANSTO).

4.197 Administered liabilities were higher due to increases in personal benefits payable, as well as increases in the provision for grants relating to the unfunded university superannuation. Personal benefits payable were higher due to changes in the composition of benefits for which DEEWR is responsible following the MOG changes. These changes meant that more payments are paid in arrears. The unfunded superannuation provision is calculated by an actuary on an annual basis and the increase is mainly due to changes in the economic factors underlying the calculation.

Audit results

Summary of audit findings

4.198 The timely preparation and publication of annual audited financial statement is an important aspect of financial management and stewardship, and the primary mechanism by which DEEWR meets its financial accountability obligations. Extensive MOG changes contributed to shortfalls in the financial statement preparation process that resulted in DEEWR not meeting its financial statement obligations in a timely manner.

4.199 DEEWR is undertaking a review of the financial statement preparation process with a view to having improved arrangements in place by early 2009 for the 2008–09 financial statements process. Improvements will focus on project management, quality control and assurance processes and the level of documentation supporting the financial statements.

4.200 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	0	0	1	1
Total	0	0	1	1

Coal Mining Industry (Long Service Leave Funding) Corporation

Summary of Financial results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	37.0	126.8
Total expenses	107.4	87.0
Total assets	564.3	578.8
Total liabilities	591.6	535.7

4.201 Income decreased as a result of a major decline in investments. This decrease was marginally offset by an increase in Long Service Leave (LSL) levy collections which increased due to positive conditions in the coal mining industry.

4.202 The increase in expenses was the result of an increase in the LSL provision due to increased wages in the coal mining industry coupled with an increase in realised investment losses.

4.203 Assets decreased during 2007–08 due to the decline in investments.

4.204 Liabilities increased primarily as a result of an increase in the provision for the reimbursement for LSL. The provision increased due to higher average wages and LSL hours owed to employees and is consistent with the positive conditions experienced in the black coal mining industry.

Audit results

Summary of audit findings

4.205 There were no significant or moderate audit issues identified during the 2007–08 audit.

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	411.8	263.7
Total expenses	364.4	219.5
Total assets	2 832.9	2 652.7
Total liabilities	2 666.5	2 537.2

4.206 Income increased primarily as a result of increased funding for the movement in workers compensation and common law asbestos related disease claims provisions. The increases in the liabilities, assets and expenses are also related to the increases in these provisions.

Audit results

Summary of audit findings

4.207 One moderate audit risk issue was reported during 2006–07 in relation to quality assurance over data provided to the Actuary for assessment of asbestos claims liabilities. The issue was addressed during the 2007–08 financial year.

4.208 One moderate audit risk issue was identified in 2007–08 relating to control weaknesses within Comcare’s cash management processes. Comcare was unable to provide sufficient evidence that a bank account was opened in line with its internal cash management policy and procedures. It was also noted that reconciliations for one bank account, although maintaining a nil balance from September 2007, had not been prepared or reviewed between March and June 2008. In addition, bank reconciliations for each cash account performed between April and June 2008 had not been reviewed.

4.209 Comcare has undertaken to improve the controls over cash management processes.

4.210 The following table provides a summary of the status of previously reported audit issues as well as new issues identified during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	1	1
Total	1	(1)	1	1

Comments on non-material entities

4.211 There were no significant or moderate audit issues identified in non-material entities within the portfolio in 2007–08.

The Environment, Water, Heritage and the Arts Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of the Environment, Water, Heritage and the Arts	Yes	✓	4 Sept 08	4 Sept 08	
National Water Commission	Yes	✓	15 Aug 08	15 Aug 08	
Bureau of Meteorology	Yes	✓	21 Aug 08	22 Aug 08	
Director of National Parks	No	✓	17 Sept 08	17 Sept 08	
Great Barrier Reef Marine Park Authority	No	✓	24 Oct 08	24 Oct 08	◆
National Environment Protection Council Service Corporation	No	✓	16 Sept 08	17 Sept 08	
Natural Heritage Trust of Australia Account	No	✓	4 Sept 08	4 Sept 08	
Sydney Harbour Federation Trust	No	✓	1 Sept 08	1 Sept 08	
Australian Business Arts Foundation Ltd	No	✓	15 Oct 08	15 Oct 08	
Australia Council	No	✓	12 Aug 08	12 Aug 08	
Australian Film Commission	No	✓	16 Sept 08	17 Sept 08	
Australian Film, Television and Radio School	No	✓	29 Aug 08	4 Sept 08	
Australian National Maritime Museum	No	✓	18 Sept 08	23 Sept 08	
Australian National Maritime Foundation	No	✓	21 Oct 08	22 Oct 08	
Bundanon Trust	No	✓	5 Sept 08	5 Sept 08	
Film Australia Limited	No	✓	16 Sept 08	17 Sept 08	
Film Finance Corporation Australia Limited	Yes	✓	16 Sept 08	17 Sept 08	
National Gallery of Australia	Yes	✓	27 Aug 08	1 Sept 08	◆
National Gallery of Australia Foundation	No	✓	1 Sept 08	2 Sept 08	
National Library of Australia	Yes	✓	1 Aug 08	1 Aug 08	
National Museum of Australia	Yes	✓	23 Jul 08	23 Jul 08	
Murray–Darling Basin Authority	No	✓	2 Oct 08	2 Oct 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

📅: financial year end date other than 30 June 2008

⚠️: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.212 The Environment, Water, Heritage and the Arts portfolio provides leadership on environment, water, heritage and cultural matters with a national focus. The portfolio also aims to ensure that Australia continues to support and develop the cultural sector to enrich the economic, social and cultural well-being of the nation and provide all Australians with opportunities to engage and participate in cultural and creative arenas.

4.213 The role of the Department of the Environment, Water, Heritage and the Arts (DEWHA) is to protect Australia's environment, water resources and heritage, supporting community and household energy efficiency, managing Australian's Antarctic activities, and the provision of meteorological services to the Australian community.

4.214 The MOG changes resulted in the Environment, Water, Heritage and the Arts portfolio gaining responsibility for the heritage and cultural entities from the former Communications, Information Technology and the Arts portfolio. In addition, the Office of the Renewable Energy moved to the Prime Minister & Cabinet portfolio.

Department of the Environment, Water, Heritage and the Arts

4.215 The MOG changes added a considerable workload to DEWHA's finance and corporate areas during the year. This included negotiating Section 32 determinations, settling accommodation requirements and providing corporate services support to the Department of Climate Change (DCC), the Old Parliament House (OPH) and the Murray Darling Basin Authority (MDBA). The complexities contributed to delays in finalising the department's 2007–08 financial statements. In addition, a significant amount of work was compressed into the latter part of the financial statement preparation and audit timetable.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	550.9	397.4
Total expenses	559.2	421.1
Total assets	584.4	487.0
Total liabilities	304.0	261.4

4.216 Movements in all financial measures are largely as a result of changes in functions resulting from the Machinery of Government changes.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	13.4	141.7
Total expenses	1 139.7	594.2
Total assets	7 348.8	920.7
Total liabilities	50.7	15.6

4.217 The significant decrease in administered income was due to an unusual event in the prior year when land assets such as North Head in New South Wales and Point Nepean in Victoria, were transferred to DEWHA. These land transfers were required to be recognised as revenue in 2006–07. No land transfers occurred during 2007–08.

4.218 The increase in administered expenses is mainly due to the growth in funding for grant programs particularly the Water Community Grant and Taking Early Action programs.

4.219 The significant increase in administered assets is primarily due to DEWHA's additional investment in Commonwealth authorities and companies as a result of transfer of the Arts, Culture and Heritage functions into the portfolio.

Audit results

Summary of audit findings

4.220 There were no significant or moderate audit issues identified during the 2007–08 audit.

National Water Commission

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	10.0	10.4
Total expenses	9.6	10.0
Total assets	8.5	7.9
Total liabilities	1.5	2.1

4.221 There were no significant movements in income, expenses, assets and liabilities during 2007–08. The reduction in income is due to a reduction in appropriation as a result of the transfer of Water Smart Australia (WSA) staff to DEWHA during the year. This transfer also resulted in corresponding reductions in employee expenses and employee liabilities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	0.7	0
Total expenses	372.5	584.0
Total assets	5.0	49.0
Total liabilities	4.3	33.3

4.222 Administered expenses consist of payments under the Australian Government Water Fund, primarily for the Water Smart Australia and Raising National Water Standards programs. Payments under these programs are dependent on the timing of funded projects reaching specified milestones or the commencement of new projects. For example, in 2006–07 there was a significant increase in expenses which included funding of a major project totalling \$408 million associated with the Western Corridor recycled water scheme in Queensland that did not reoccur in 2007–08.

4.223 The significant decreases in assets and liabilities are also attributable to the timing of funded projects reaching specified milestones during 2007–08.

Audit results

Summary of audit findings

4.224 There were no significant a moderate audit issues identified during the 2007–08 audit.

Bureau of Meteorology

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	253.7	238.1
Total expenses	249.3	230.6
Total assets	369.4	327.8
Total liabilities	99.1	86.5

4.225 The increase in income primarily relates to new funding received for status reporting on Australia’s water resources and forecasting on the future availability of water as part of the national water plan, Water for the Future.

4.226 Assets increased primarily due to increased expenditure under the Bureau of Meteorology’s capital works program for the replacement of radars and the upgrading of computer equipment.

4.227 Movements in other items were not significant and were the result of fluctuations in normal business activity.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	20.4	16.7
Total expenses	8.0	0
Total assets	4.2	2.7
Total liabilities	0	0

4.228 Administered income relates to the recovery of costs associated with the provision of weather services information to the aviation industry. Costs have increased due to the growth in demand for these services.

4.229 Administered expenses increased due to a new grant program under the national water plan, Water for the Future.

4.230 The movement in assets mainly relates to the reclassification of certain assets between departmental and administered activities.

Audit results

Summary of audit findings

4.231 There were no significant or moderate audit issues identified during the 2007–08 audit.

Film Finance Corporation Australia Limited

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	78.0	78.1
Total expenses	75.8	79.8
Total assets	75.3	58.6
Total liabilities	34.6	20.2

4.232 The decrease in expenditure was mainly related to the introduction of the Producer Offset Scheme introduced on 1 July 2007.

4.233 Assets increased as funds held to meet contracted film project investments commitment were not fully drawn down by the end of the financial year.

4.234 The increase in liabilities primarily relates to an increase in the provision for unavoidable costs associated with significantly higher number of contracts entered into in 2007–08.

Audit results

Summary of audit findings

4.235 There were no significant or moderate audit issues identified during the 2007–08 audit.

National Gallery of Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	61.0	52.0
Total expenses	53.0	47.0
Total assets	3 611.3	3 449.3
Total liabilities	11.2	9.8

4.236 The increase in income is attributable to an increase in admissions for major exhibitions and an increase in shop sales. There were also increases in sponsorship income and donations.

4.237 The increase in expenses is mainly the result of significant increases in electricity and other operating costs and increased costs associated with hosting major exhibitions, most of which were offset by increased sponsorship income.

4.238 The increase in assets is mainly a result of the revaluation of the collection of artworks and other assets held by the gallery.

4.239 The movement in liabilities was not significant.

Audit results

Summary of audit findings

4.240 The ANAO identified three moderate audit issues during the 2007–08 audit. These issues related to:

- segregation of duties and the related logical access controls;
- general IT environment change management; and
- disaster recovery capability.

Segregation of duties and the related logical access controls

4.241 The ANAO found that the Gallery had inconsistent practices in user access security over the FMIS. These included a lack of a review process over access security configuration and weaknesses over the management of controls. These issues increase the risk of fraud, data manipulation and lack of data integrity.

General IT environment change management

4.242 The ANAO's review of the change management process identified weaknesses in documentation and control of changes made to key systems. Inadequate controls and documentation increase the risk that system changes may occur without appropriate approval or adequate acceptance testing.

Disaster recovery capability

4.243 The Gallery has established a Business Continuity framework which encompasses the Business Continuity Plan (BCP), the Disaster Recovery Plan (Displan), and the IT Disaster Recovery Plan. During the 2007–08 interim audit, the ANAO reported that the Displan had not been formally approved or reviewed and that testing of the IT Disaster Recover Plan had not occurred. Failure to adequately maintain and test the plans may prevent the Gallery from restoring critical business processes and systems within an acceptable timeframe, if there is an interruption to operations.

4.244 A review of these issues will be undertaken as part of the 2008–09 audit.

4.245 The following table provides a summary of the status of previously reported issues as well as new audit issues identified during the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	0	0	3	3
Total	0	0	3	3

National Library of Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	75.2	74.4
Total expenses	71.4	68.1
Total assets	1 718.4	1 716.6
Total liabilities	16.3	15.6

4.246 There has been no significant movement in these balances during 2007–08 and movements were the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.247 There were no significant or moderate audit issues identified during the 2007–08 audit.

National Museum of Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	48.2	50.7
Total expenses	48.0	47.1
Total assets	394.7	369.4
Total liabilities	7.8	7.3

4.248 The movements in these balances were not significant and were the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.249 There were two moderate findings reported during the 2006–07 audit relating to Business Continuity and Disaster Recovery Plans which did not adequately cover all IT systems and related procedures. The 2007–08 audit identified that the Museum had taken action to address these matters.

4.250 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.251 There were no significant or moderate audit issues identified in relation to non-material entities within the portfolio, except for the Great Barrier Reef Marine Park Authority.

Great Barrier Reef Marine Park Authority

4.252 The two moderate audit issues identified during the 2006–07 audit relating to IT physical security and environment management, and access security management have now been satisfactorily resolved.

4.253 During the 2007–08 audit, the following two new moderate audit issues were identified.

Financial Statement Preparation Process

4.254 On 1 July 2007, the Great Barrier Reef Marine Park Authority's (GBRMPA) status changed from a statutory agency under the CAC Act to a prescribed agency under the FMA Act. The preparation of the financial statements was delayed due to this transition and the different disclosures required for activities under each Act. The transition difficulties were compounded by GBRMPA not establishing a separate ledger for administered transactions.

4.255 GBRMPA has agreed to establish a separate administered ledger to better facilitate financial reporting in 2008–09.

Valuation of Islands

4.256 GBRMPA manages a number of islands on behalf of the Australian Government. Only those islands providing economic benefit have been valued and accounted for based on the present value of future lease payments receivable under existing and anticipated future leases. An independent valuation of the islands in accordance with the requirements of the Finance Minister's Orders has yet to be finalised.

4.257 GBRMPA has agreed to finalise the process of valuation of the islands during 2008–09.

Families, Housing, Community Services and Indigenous Affairs Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Families, Community Services and Indigenous Affairs	Yes	✓	15 Aug 08	15 Aug 08	
- Aboriginals Benefit Account	No	✓	15 Aug 08	15 Aug 08	
- Aboriginal and Torres Strait Islander Land Account	Yes	✓	15 Aug 08	15 Aug 08	
Aboriginal Hostels Ltd	No	✓	23 Sept 08	23 Sept 08	▲◆
Anindilyakwa Land Council	No	✓	17 Sept 08	17 Sept 08	
Central Land Council	No	✓	23 Sept 08	30 Sept 08	
Equal Opportunity for Women in the Workplace Agency	No	✓	13 Aug 08	13 Aug 08	
Indigenous Business Australia	Yes	✓	17 Sept 08	17 Sept 08	▲
- Bowen Basin Holdings Pty Ltd	No	⇒	⇒	⇒	
- Bowen Basin Holdings Trust	No	⇒	⇒	⇒	
- Bowen Basin Investments Pty Ltd	No	⇒	⇒	⇒	
- Bowen Basin Investments Trust	No	⇒	⇒	⇒	
- Centrum Insurance Brokers Pty Ltd	No	✓	29 Aug 08	29 Aug 08	
- Outback Stores Pty Ltd	No	⇒	⇒	⇒	
- Scarborough House Investment Trust	No	⇒	⇒	⇒	
- Scarborough House Office Trust	No	⇒	⇒	⇒	
Billorar Pty Ltd	No	⇒	⇒	⇒	
Indigenous Land Corporation	No	✓	27 Aug 08	3 Sept 08	
Northern Land Council	No	✓	24 Sept 08	29 Sept 08	◆

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Tiwi Land Council	No	✓	16 Sept 08	16 Sept 08	
Torres Strait Regional Authority	No	✓	11 Sept 08	12 Sept 08	
Wreck Bay Aboriginal Community Council	No	✓	5 Sept 08	5 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

⇒: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.258 The Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) portfolio's role is to provide social policy advice, income support and assistance to families and their children, senior citizens, carers, people with disabilities, housing, and community groups. The portfolio also provides policy advice on issues affecting women in Australia as well as a whole-of-government approach to programs and service delivery for Indigenous Australians.

Department of Families, Housing, Community Services and Indigenous Affairs

4.259 The MOG changes of 3 December 2007 resulted in significant changes in FaHCSIA's responsibilities. Managing the integration of new functions and facilitating the transfer of functions to other agencies involved a considerable increase in workload for the FaHCSIA finance team. This included protracted discussions with other agencies in negotiating Section 32 determinations and details of the transfer of staff between agencies. As a result a significant amount of work was compressed into the latter part of the financial statement preparation process. FaHCSIA managed the financial reporting issues relating to MOG changes effectively and met its financial reporting deadlines.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 475.7	1 217.8
Total expenses	1 485.4	1 223.1
Total assets	338.2	298.3
Total liabilities	142.4	127.0

4.260 The increase in income is largely due to the Northern Territory Emergency Response (NTER) initiative, funding for implementing new policy measures and the movement of funding resulting from the MOG changes.

4.261 The increase in expenses is mainly due to the increase in payments for service delivery associated with the NTER initiative and an increase in employee benefits resulting from a wage increment under the Certified Agreement.

4.262 The increases in assets and liabilities are consistent with the above changes in the Department's operations.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	550.6	278.3
Total expenses	55 717.3	46 793.3
Total assets	4 105.9	3 175.9
Total liabilities	4 255.0	4 190.7

4.263 The increase in administered income is mainly due to significant recoveries of personal benefit overpayments resulting from improved recovery processes, increased revenue for the rollout of additional services on behalf of the Attorney-General's Department, and higher interest revenue from investments held by the Aboriginal Benefits Account and the Aboriginal and Torres Strait Islander Land Fund.

4.264 The increase in administered expenses is mainly due to the payment of the Disability Support Pension following the transfer of the program from the former Department of Employment and Workplace Relations under the MOG

changes, and additional payments to age pensioners by way of an increase in the utilities allowance and a \$500 bonus.

4.265 The increase in administered assets was the result of increases in the value of the Government's investments in Australian Government entities, deposits and government securities.

4.266 The movement in liabilities was not significant and relate to fluctuations in normal business activity.

Audit results

Summary of audit findings

4.267 One moderate audit issue was reported at the conclusion of the interim phase of the audit that related to FaHCSIA having an inadequate process to identify and report all commitments at year end. During the final phase of the audit the ANAO noted that FaHCSIA had taken appropriate action to resolve the issue.

4.268 There were no new significant or moderate audit issues noted during the final phase of the 2007–08 audit.

4.269 The following table provides a summary of the current status of audit findings.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	0	0
Total	1	(1)	0	0

Aboriginal and Torres Strait Islander Land Account

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	111.0	94.0
Total expenses	0	108.5
Total assets	1 671.3	1 560.4
Total liabilities	0	0

4.270 Interest income increased in line with a higher holding of investments at a higher average rate of return throughout the year. There were no expenses during 2007–08 as no payments were made to the Indigenous Land Council.

4.271 The movement in the asset balance is due to the reinvestment of interest revenue into the investment portfolio.

Audit results

Summary of audit findings

4.272 There were no significant or moderate audit issues identified during the 2007–08 audit.

Indigenous Business Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	305.0	147.2
Total expenses	171.0	95.1
Total assets	976.6	773.6
Total liabilities	58.2	52.4

4.273 The increase in income was the result of the profit generated from the sale of an interest in the Foxleigh joint venture coal mines and additional government funding for the NTER measures. In addition, interest and rental income increased due to higher cash balances and further investments in properties.

4.274 The increase in expenses was due to several factors. Employee costs increased mainly as a result of an increase in staffing numbers associated with the Home, Enterprises and Constructions program. Supplier expenses were higher principally due to an increase in construction related costs. Other expenses have increased as a result of an increase in the write down in the fair value of the loan portfolio. The decrease in the fair value of the loan portfolio reflects an increase in benchmark market interest rates of loans provided by IBA at concessional rates.

4.275 The increase in total assets is attributable to the higher levels of cash investments due to the large profit generated on the sale of the Foxleigh joint venture coal mines.

Audit results

Summary of audit findings

4.276 Five moderate risk findings were raised during the final phase of the 2006–07 audit. IBA has resolved two moderate finding relating to accrual of leave costs and SAP User Account Management. In addition, IBA has undertaken appropriate activities to address and minimise the risks associated with the finding on accounting for investments. As a consequence, this finding has been re-assessed as a Category C finding.

4.277 The remaining three moderate risk findings have been addressed by IBA and will be reviewed as part of the 2008–09 audit.

Memorandum of Understanding

4.278 IBA has a Memorandum of Understanding (MOU) with the Department of Education, Employment and Workplace Relations (DEEWR) for the provision of IT services. At the time of the 2006–07 audit, the MOU did not provide IBA with visibility over the provision of:

- business continuity and disaster recovery services provided, including testing;
- backup and recoverability processes and procedures;
- data integrity, security and confidentiality requirements; and
- assurance, quality control and monitoring requirements.

4.279 The ANAO considered that IBA needed to take steps to obtain greater assurance over the level of services it requires, and those that the responsible department was able to provide.

4.280 IBA has advised that it has introduced the required controls in its own processes to ensure its' business objectives and requirements are met. IBA has also advised that a new MOU for IT services has been negotiated with DEEWR that addressing the majority of the issues raised. The remaining issues are to be addressed once IBA decides from whom their services will be provided now that IBA is part of the Family, Housing, Community Services and Indigenous Affairs Portfolio. The effectiveness of the new arrangements will be assessed as part of the 2008–09 interim audit.

Change Management

4.281 The ANAO reported in the 2006–07 financial statement audit that there were no formal change control procedures. Our 2007–08 interim audit testing identified gaps in the retention of records to support changes made to the financial management system. IBA has continued to progress the implementation of change management processes including introducing formal change control procedures. The ANAO will review the effectiveness of these arrangements as part of the 2008–09 audit.

IBA Governance arrangements

4.282 During the 2006–07 audit the ANAO identified the following issues relating to governance structures and IT governance:

- there was no organisational- wide internal audit function;
- the need to finalise the IT Strategic Plan;
- there was no IT Risk Management Plan or IT Security Policy; and
- increased documentation relating to IT operational procedures was required.

4.283 Policies and procedures provide the baseline for the required level of performance and service. The absence of such governance arrangements limits the ability of IBA to provide effective and efficient business and IT services and to measure the standard of performance provided.

4.284 IBA continues to strengthen its governance structures and IT governance through developing its internal audit capability, maturing its management and financial reporting and the inclusion of an independent

member to the Audit Committee. IBA is continuing to address the IT governance issues. The remediation activities will be reviewed, and effectiveness of these arrangements assessed, as part of the 2008–09 financial statements audit.

4.285 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	4	(1)*	0	3
Total	4	(1)	0	3

* Includes one issue reclassified to a Category C finding.

Comments on non-material entities

4.286 There were no significant or moderate audit issues identified in non-material entities within the portfolio except for the Aboriginal Hostels Limited and the Northern Land Council.

Aboriginal Hostels Limited

4.287 The ANAO reported three moderate issues during the 2006–07 audit. These issues related to:

- timeliness of the preparation and review of bank reconciliations and the failure to resolve unexplained variances;
- the posting of duplicate payments to the cash book and a lack of system checks to detect duplicate payments; and
- inadequate documentation being maintained for employee commencements and separations.

4.288 The ANAO observed that AHL has resolved the issue relating to the posting of duplicate payments. Further steps need to be taken to address reconciliation and employee documentation issues.

4.289 Four new moderate audit issues were identified during the 2007–08 audit. Three of these issues related to AHL's general IT environment, the

Financial Management Information System and the Human Resource Management System and increased AHL's exposure to unauthorised access to its financial systems. In particular, the audit found that:

- IT security policy had not been effectively promulgated to AHL staff;
- there was inappropriate management of user access, in particular the management of passwords;
- logical and physical network controls were inadequate; and
- access to incompatible payroll data entry functions was not effectively segregated and/or monitored within the HRMS.

4.290 The fourth issue related to deficiencies in the approval and processing of employee leave entitlements within AHL's HRMS.

Northern Land Council

4.291 Two moderate control issues were identified in the 2007–08 audit. These issues related to:

- inadequate processes for the closing of the annual accounts and preparation of the financial statements, including lack of proper reconciliation processes, resulting in many significant year end adjustments and amendments to the financial statements; and
- the failure to actively pursue the collection of a significant debt outstanding for more than three years.

4.292 The Council has advised that it will take steps to improve the financial statement close process and resolve the collection of the outstanding debt.

Finance and Deregulation Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Finance and Deregulation	Yes	✓	14 Aug 08	14 Aug 08	
101 Collins St Pty Ltd	No	✓	1 Oct 08	1 Oct 08	
Albury-Wodonga Corporation	No	✓	2 Sept 08	4 Sept 08	
ARIA Alternative Assets Trust	No	✓	16 Sept 08	16 Sept 08	
ARIA Co Pty Ltd	No	✓	16 Sept 08	16 Sept 08	
ARIA Investments Trust	No	✓	16 Sept 08	16 Sept 08	
ARIA Property Fund	No	✓	16 Sept 08	16 Sept 08	
Australian Electoral Commission	Yes	✓	10 Sept 08	11 Sept 08	
Australian Industry Development Corporation	Yes	✓	14 Aug 08	14 Aug 08	
Australian Reward Investment Alliance (ARIA)	No	✓	16 Sept 08	16 Sept 08	
Australian River Co Ltd - 30 November 2007	No	✓	20 Feb 08	22 Feb 08	
ASC Pty Ltd	Yes	✓	9 Oct 08	13 Oct 08	
CFM Pooled Superannuation Trust	No	✓	16 Sept 08	16 Sept 08	
CFM Australian Equities Fund	No	✓	16 Sept 08	16 Sept 08	
ComSuper	No	✓	29 Aug 08	29 Aug 08	◆
Commonwealth Superannuation Scheme (CSS)	No	A	16 Sept 08	16 Sept 08	◆
CSS/PSS Pty Ltd	No	✓	16 Sept 08	16 Sept 08	
Future Fund Management Agency	Yes	✓	28 Aug 08	28 Aug 08	
Medibank Private Ltd	Yes	✓	15 Aug 08	15 Aug 08	
PSS/CSS A Property Trust	No	✓	16 Sept 08	16 Sept 08	
PSS/CSS B Property Trust	No	✓	16 Sept 08	16 Sept 08	
PSS/CSS Investment Trust	No	✓	16 Sept 08	16 Sept 08	

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Public Sector Superannuation Scheme (PSS)	No	A	16 Sept 08	16 Sept 08	◆
Public Sector Superannuation Accumulation Plan (PSSap)	No	A	16 Sept 08	16 Sept 08	◆
Telstra Sale Company Limited	No	✓	28 Sept 08	28 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.293 The Finance and Deregulation portfolio's principal responsibilities include:

- Budget policy advice and process, and review of governmental programs;
- Government financial accountability, governance and financial management frameworks including procurement policy and services;
- shareholder advice on Government Business Enterprises (GBEs) and commercial entities treated as GBEs;
- general policy guidelines for Commonwealth statutory authorities;
- superannuation related to former and current members of Parliament and Australian Government employees;
- asset sales;
- strategic management of non-Defence Commonwealth-owned property in Australia, including construction, major refurbishment, acquisition, ownership and disposal of real property;
- electoral matters;
- administration of Parliamentarians' entitlements;
- administration of the Australian Government's self-managed general insurance fund (Comcover);
- Government on-line delivery and information technology and communications management;
- evaluation and audit of indigenous programs and operations; and
- advice on the Future Fund.

Department of Finance and Deregulation

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	524	782
Total expenses	383	544
Total assets	1 942	2 296
Total liabilities	335	365

4.294 Income decreased mainly due to a decrease in appropriation funding in relation to the sale of Telstra 3 that occurred in 2006–07. There was also a reduction in the insurance premium revenue due to lower premiums being charged as a result of better claims expenses experience in the prior year.

4.295 The decrease in expenses was due primarily to a reduction in activity in relation to the sale of Telstra. This was partially offset by an increase in employee expenses due to an increase in staff numbers and in salary rates in line with the department's remuneration arrangements.

4.296 Assets decreased due to the disposal of Tuggeranong Office Park and the transfer of the Christmas Island Detention Centre to the Department of Immigration and Citizenship.

4.297 Finance's liabilities decreased principally due to the extinguishment of the finance lease and the sinking fund provision associated with the sale of Tuggeranong Office Park. This was offset, in part, by an increase in Comcover's outstanding claims liabilities following a change in the assumptions by the actuary and the processing of additional large claims.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 996	1 839
Total expenses	5 572	5 684
Total assets	1 791	7 403
Total liabilities	66 054	65 336

4.298 The Telstra 3 share offer in 2006–07 resulted in cash being received for the first instalment and a receivable recognised for the final instalment which was due on 29 May 2008. In relation to the final instalment receivable, a discount was applied to reflect the time value of money. In 2008 the level of discount was reduced in line with the reduction in time until payment was due. The total reduction in discount resulted in an increase in income.

4.299 The decrease in administered expenses is mainly due to the significant reduction in the Telstra 3 loyalty share provision as a result of the allocation of most of these shares in 2007–08 and a reduction of the superannuation expense in relation to the defined benefit schemes which is a result of the schemes having been closed to new members.

4.300 The reduction in administered assets is mainly due to the receipt in May 2008 of the Telstra 3 final instalment. The decrease was partially offset by an increase in cash and cash equivalents held.

4.301 Liabilities increased mainly as a result of an increase in the superannuation provision following changes in the assumptions by the Actuary. This increase was partially offset by the large reduction of the provision for the Telstra Bonus Loyalty shares that were released to qualifying Telstra investors in May 2008.

Audit results

Summary of audit findings

4.302 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Electoral Commission

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	198.5	122.2
Total expenses	208.4	129.2
Total assets	46.3	59.4
Total liabilities	30.1	34.7

4.303 The significant increase in income was due to additional appropriation funding for the 2007 Federal Election.

4.304 Expenses also increased in 2007–08 as a result of the 2007 Federal Election. This resulted in a significant increase in supplier and employee expenses.

4.305 Total assets decreased as a result of a reduction in the appropriation receivable that was drawn on in 2007–08 to fund the 2007 Federal Election.

4.306 The decrease in liabilities is mainly attributable to a reduction in the 2007–08 supplier payable balance. In 2006–07 this balance consisted of a number of payables relating to the 2007 Federal Election, which were paid in 2007–08.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1.8	0
Total expenses	49.0	0
Total assets	0	0
Total liabilities	0	0

4.307 The increase in administered income relates to fines and penalties imposed following the 2007 Federal Election.

4.308 Administered expenses relate to grants paid in 2007–08 in relation to the 2007 Federal Election.

Audit results

4.309 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Industry Development Corporation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	3.7	28.6
Total expenses	2.8	27.9
Total assets	19.1	147.8
Total liabilities	11.6	140.6

4.310 The significant decrease in income was a result of a reduction in the interest revenue received on investments following the divestment of significant assets as part of the wind down of the Corporation.

4.311 The decrease in expenses is attributable to a reduction in finance costs as a result of the significant repayment of treasury borrowings in 2007–08.

4.312 The reduction in assets and liabilities was primarily a result of the wind down of AIDC's residual operations in accordance with the *AIDC Sale Act 1997* and the repayment of significant treasury borrowings during 2007–08.

Audit results

There were no significant or moderate audit issues identified during the 2007–08 audit.

ASC Pty Ltd

4.313 ASC Pty Ltd (ASC) built Australia's fleet of Collins Class submarines for the Royal Australian Navy (RAN) and is responsible for ongoing design enhancements, maintenance and support of the Collins Class submarines as part of a 25 year contract signed in 2003. ASC has also been appointed to build the RAN Air Warfare Destroyers (AWD).

4.314 ASC is a proprietary company limited by shares registered under the Corporations Act and is subject to the *Commonwealth Authorities and Companies*

Act 1997. All shares in the company are owned by the Minister for Finance and Deregulation on behalf of the Australian Government.

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	324.9	312.4
Total expenses	280.9	270.2
Total assets	308.2	276.6
Total liabilities	133.3	117.8

4.315 Increased income was attributable to higher activity on the Submarine Through Life Support (TLS) projects. Finalisation of the Waller Full Cycle Docking and fast track submarine projects and the commencement of phase three of the AWD project has also contributed to an increase in income.

4.316 The increases in expenses, assets and liabilities are attributable to additional activity associated with the AWD project.

Audit results

Summary of audit findings

4.317 There were no significant or moderate audit issues identified during the 2007–08 audit.

Future Fund Management Agency and Board of Guardians

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	827.2	2 817.5
Total expenses	54.2	9.9
Total assets	64 237.0	53 060.3
Total liabilities	97.2	595.5

4.318 The decrease in income is attributable to recent market conditions. Interest and dividend income increased from \$2 165 million in 2006–07 to

\$3 955 million in 2007–08. However, this increase was offset by net realised and unrealised losses of \$3 129 million on other investments in 2008 compared to a gain in the previous year of \$652 million.

4.319 During 2007–08, funds under active management by investment managers and the custodian increased from approximately \$14 billion to \$62 billion. This resulted in an increase in investment manager fees, custodian fees and transaction costs.

4.320 The increase in assets is mainly attributable to contributions from the Australian Government of \$10.9 billion.

4.321 Total liabilities in 2006–07 included unsettled trades executed close to year end. In 2007–08 the number of unsettled transactions executed close to year end was significantly less, resulting in reduced liabilities.

Audit results

Summary of audit findings

4.322 There were no significant or moderate audit issues identified during the 2007–08 audit.

Medibank Private Pty Ltd

4.323 An unqualified audit report on Medibank Private Pty Ltd's 2007–08 financial statements was issued.

Comments on non-material entities

4.324 Moderate audit issues were identified in the 2007–08 audits of ComSuper, the Commonwealth and Public Sector Superannuation Schemes and the Public Sector Superannuation Accumulation Plan.

ComSuper

4.325 ComSuper draws down appropriations in order to meet the balance of unfunded superannuation benefits to be paid from the schemes administered by ComSuper. ComSuper was not able to fully reconcile the drawdowns from consolidated revenue, as recorded in the systems of the Department of Finance and Deregulation, to their administration and accounting systems. This increases the risk of inadequate management and/or inaccurate reporting of appropriations.

Commonwealth Superannuation Scheme (CSS)

4.326 Section 1017D (3A) of the *Corporations Act 2001* requires the trustee to make reasonable efforts to provide exiting members with certain information within one month of leaving the Scheme. This requirement has been breached, in that certain members who exited the scheme did not receive an exit statement which contained all necessary information within the required timeframe. This situation commenced 1 July 2007 but has now been addressed. Against this background, the ANAO was required to issue a qualified opinion with regard to compliance with section 1017D (3A) of the *Corporations Act 2001*. This is not a qualification of the audit opinion on the financial statements of the CSS.

4.327 Section 1017D (1) of the *Corporations Act 2001* requires the trustee to provide members with certain annual information within six months of year end. This requirement has been breached in that certain CSS members who elected to receive their annual statements online did not receive notification that their statements were available to be viewed online. This issue arose from technical issues with the operation of firewall restrictions at ComSuper (the Scheme's administrator). Those affected members who remain in the Schemes have been notified by ComSuper. In these circumstances, the ANAO was required to issue a qualified opinion with regard to compliance with section 1017D(1) of the *Corporations Act 2001*. This is not a qualification of the audit opinion on the financial statements of the CSS.

Public Sector Superannuation Scheme (PSS)

4.328 Section 1017D (3A) of the *Corporations Act 2001* requires the trustee to make reasonable efforts to provide exiting members with certain information within one month of leaving the Scheme. This requirement has been breached, in that certain members who exited the scheme did not receive an exit statement which contained all the necessary information within the required timeframe. This situation commenced 1 July 2007 but has now been addressed. Against this background, the ANAO was required to issue a qualified opinion with regard to compliance with section 1017D (3A) of the *Corporations Act 2001*. This is not a qualification of the audit opinion on the financial statements of the PSS.

4.329 Section 1017D (1) of the *Corporations Act 2001* requires the trustee to provide members with certain annual information within 6 months of year end. This requirement has been breached in that certain PSS members who

elected to receive their annual statements online did not receive notification that their statements were available to be viewed online. This issue arose from technical issues with the operation of firewall restrictions at ComSuper (the Scheme's administrator). Those affected members who remain in the Schemes have been notified by ComSuper. In these circumstances, the ANAO was required to issue a qualified opinion with regard to compliance with section 1017D (1) of the *Corporations Act 2001*. This is not a qualification of the audit opinion on the financial statements of the PSS.

Public Sector Superannuation Accumulation Plan (PSSap)

4.330 Section 1017D (3A) of the *Corporations Act 2001* requires the trustee to make reasonable efforts to provide exiting members with certain information within one month of leaving the Scheme. This requirement has been breached, in that certain members who exited the PSSap did not receive an exit statement which contained all the required information. This breach commenced 10 July 2006 but has now been addressed. In these circumstances, the ANAO was required to issue a qualified opinion with regard to compliance with section 1017D (3A) of the *Corporations Act 2001*. This is not a qualification of the audit opinion on the financial statements of the PSSap.

Foreign Affairs and Trade Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Foreign Affairs and Trade	Yes	✓	21 Aug 08	21 Aug 08	
Australian Agency for International Development (AusAID)	Yes	✓	20 Aug 08	20 Aug 08	
Australian Centre for International Agricultural Research	No	✓	12 Sept 08	12 Sept 08	
Australian Secret Intelligence Service	No	✓	16 Sept 08	16 Sept 08	
Australian Trade Commission	Yes	✓	1 Aug 2008	1 Aug 2008	
Export Finance and Insurance Corporation	Yes	✓	14 Aug 08	15 Aug 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

⇒: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.331 The Foreign Affairs and Trade portfolio comprises the Department of Foreign Affairs and Trade (DFAT) and a small number of statutory and non-statutory bodies. The portfolio supports Ministers in the conduct of Australia's foreign and trade policy. The overarching objective of Australia's foreign and trade policy is to advance Australia's national interest - the security and prosperity of Australians – by contributing to improvements in international security, national economic and trade performance and global cooperation.

4.332 This is achieved by pursuing bilateral, regional and global strategies to further these policy objectives. The Foreign Affairs and Trade portfolio contributes to:

- the development and promotion of Australia's foreign and trade policies;
- the management and support of Australia's overseas diplomatic network;

- providing consular and passports services to Australians;
- the management of the Australian Government overseas owned estate;
- national and international security;
- national economic and trade performance and global cooperation;
- supporting Australian business by providing market access and export advice and assistance;
- promoting trade, investment and a positive image of Australia internationally;
- the management of Australia's overseas aid program to developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest.
- poverty reduction and sustainable development in the Asia-Pacific region and Southern Africa by facilitating and funding collaborative agricultural research and development programs with developing countries; and
- providing assistance to developing countries to improve economic performance and governance.

4.333 The Foreign Affairs and Trade portfolio retained the majority of its responsibilities in the Administrative Arrangement Orders of 3 December 2007 and 25 January 2008. The responsibility for international climate change policy and negotiations was moved to the newly created Department of Climate Change. In addition, while not occurring until the 2008–09 financial year, the Government has also decided to transfer the inward investment promotion function from the Department of Innovation, Industry, Science and Research to the Foreign Affairs and Trade portfolio.

Department of Foreign Affairs and Trade

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	943.5	941.3
Total expenses	805.5	805.6
Total assets	2 607.6	2 409.6
Total liabilities	223.7	210.5

4.334 The increase in assets is largely attributable to the purchase of new overseas properties plus a revaluation of existing overseas owned properties reflecting both market value and exchange rate movements as at 30 June 2008. Given the current financial market and Australian dollar volatility it is expected these will also impact the value of assets and liabilities during 2008–09.

4.335 Movements in other financial measures were not significant and were the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	330.0	354.3
Total expenses	259.0	256.2
Total assets	357.8	387.2
Total liabilities	97.2	109.6

4.336 The decrease in administered income is attributable to an adjustment to the fair value of financial instruments associated with the National Interest Account. The National Interest Account is managed by the Export Finance and Insurance Corporation (EFIC) on behalf of DFAT under the terms of Part 5 of the *Export Finance and Insurance Corporation Act 1991*. As with departmental assets, the current market and Australian dollar volatility is expected to affect the fair value of financial instruments managed by EFIC in 2008–09.

4.337 The reduction in administered assets in 2007–08 relates to a decrease in receivables as a result of the Solomon Island debt to the Australian

Government of \$7.25 million being 70% written off under a debt relief agreement. The remaining 30% was repaid.

4.338 The reduction in administered liabilities relates to the defined benefit pension scheme for locally engaged staff at overseas posts. This liability is determined by an independent actuary. In 2007–08 the fall in the defined benefit pension scheme was the result of the upward movement of the Australian dollar against foreign currencies as at 30 June 2008.

Audit results

Summary of audit findings

4.339 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Agency for International Development (AusAID)

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	109.5	93.7
Total expenses	109.3	93.5
Total assets	46.0	42.9
Total liabilities	25.6	24.8

4.340 The increase in departmental income and expenses is the result of additional funding to support the delivery of the Government's expanded aid program.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	149.6	1 341.5
Total expenses	2 810.0	1 902.7
Total assets	1 167.6	1 235.4
Total liabilities	999.9	966.1

4.341 The significant decrease in administered income is due to the 2006–07 balance including a one-off large gain associated with the initial recognition as financial assets of subscriptions paid to the International Development Associations (IDA) and the Asian Development Fund (ADF).

4.342 The increase in administered expenses is the result of the design and delivery of the Government's expanded aid program, including eleven new budget measures. The Government also signed a new subscription and grant agreement with the IDA and increased the amount drawn down under the Australian Indonesian Partnership for Reconstruction and Development (AIPRD) for Tsunami recovery projects.

4.343 The decrease in assets was largely due to a reduction in the fair value of AusAID's IDA/ADF subscription financial assets, partially offset by an increase in the fair value of the AIPRD loans drawn down during 2007–08.

Audit results

Summary of audit findings

4.344 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Trade Commission

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	204.6	203.7
Total expenses	206.4	207.1
Total assets	101.7	97.9
Total liabilities	48.0	45.1

4.345 The increase in liabilities reflects an increase in employee provisions in relation to staff separations and redundancies resulting from the MOG changes of 3 December 2007.

4.346 There were no significant movements in the Commission's income, expenses and assets in 2007–08.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total revenue	1.0	0.1
Total expenses	160.9	154.5
Total assets	1.5	0.5
Total liabilities	5.4	3.6

4.347 The majority of administered financial measures relate to the administration of the Export Market Development Grant scheme. There were no significant movements in these measures in 2007–08.

Audit results

Summary of audit findings

4.348 There were no significant or moderate audit issues identified during the 2007–08 audit.

Export Finance and Insurance Corporation

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	153.5	128.2
Total expenses	133.8	87.5
Total assets	2 336.1	2 460.7
Total liabilities	2 004.9	2 100.9

4.349 The increase in income reflects the full year impact of new funding arrangements agreed in May 2007 in respect of the National Interest Account. Since that date, EFIC's Commercial Account lends to the National Interest Account at an agreed benchmark rate, and receives interest income on these loans.

4.350 The increase in interest expense is also a direct result of the change in funding arrangements in May 2007 as all external borrowings are now held in the Commercial Account. Previously, they were apportioned between the Commercial Account and the National Interest Account.

4.351 The movement in assets reflected an increase in receivables from other financial institutions offset by a decrease in security investments available for sale. Loans in support of National Interest assets funded by the Commercial Account also declined. Changes in the value of other asset categories were as a result of movements in interest rates and foreign currency exchange rates.

4.352 Liabilities decreased mainly as a result of a lower level of borrowings to fund asset transactions.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	76.0	146.9
Total expenses	71.2	76.5
Total assets	967.5	1 121.7
Total liabilities	967.5	1 121.7

4.353 The significant decrease in administered income relates to the full year effect of changes in funding arrangements implemented in May 2007 referred to above and a lower level of National Interest Account lending assets.

Audit results

Summary of audit findings

4.354 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

Summary of audit findings

4.355 There were no significant or moderate audit issues identified in non-material entities within the portfolio during the 2007–08 audit.

Health and Ageing Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Health and Ageing	Yes	✓	18 Aug 08	18 Aug 08	▲
- Therapeutic Goods Administration	No	✓	18 Aug 08	18 Aug 08	▲
Aged Care Standards and Accreditation Agency Ltd	No	✓	12 Sept 08	12 Sept 08	
Australian Institute of Health and Welfare	No	✓	18 Sept 08	22 Sept 08	
Australian Radiation Protection and Nuclear Safety Agency	No	✓	9 Sept 08	9 Sept 08	
Australian Sports Commission	Yes	✓	22 Aug 08	1 Sept 08	
Australian Sports Foundation Limited	No	✓	25 Sept 08	26 Sept 08	
Australian Sports Anti-Doping Authority	No	✓	25 Aug 08	28 Aug 08	
Cancer Australia	No	✓	3 Sept 08	5 Sept 08	
Food Standards Australia New Zealand	No	✓	17 Sept 08	17 Sept 08	
General Practice Education and Training Ltd	No	✓	11 Sept 08	12 Sept 08	
National Blood Authority	Yes	✓	13 Aug 08	15 Aug 08	
National Health and Medical Research Council	Yes	✓	4 Sept 08	4 Sept 08	◆
Private Health Insurance Administration Council	No	✓	2 Sept 08	2 Sept 08	
Private Health Insurance Ombudsman	No	✓	21 Aug 08	21 Aug 08	
Professional Services Review	No	✓	8 Sept 08	8 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.356 The Health and Ageing portfolio consists of the Department of Health and Ageing and a number of statutory and non-statutory bodies that are

responsible for contributing to achieving a health care system that meets the health care and ageing needs of all Australians. The responsibilities of the portfolio have increased as a result of the 2007 Administrative Arrangement Orders (AAOs) announced on 3 December 2007. The AAOs included the transfer of the Sports outcome from the former Communication, Information Technology and the Arts portfolio to the Health and Ageing portfolio. Two portfolio agencies were also transferred with the AAO changes, the Australian Sports Commission and the Australian Sports Anti-Doping Authority. The portfolio's services are delivered through the 15 outcomes set by the Australian Government. Each portfolio entity has developed performance information to determine effectiveness in achieving entity-specific outcomes.

4.357 Portfolio entities also work towards the following whole-of-portfolio targets in relation to the health status of Australians:

- continued improvement in life expectancy for both males and females over time;
- further reductions in infant mortality rates over time;
- additional improvements in disability adjusted life expectancy over time;
- improved life expectancy, health expectancy and infant mortality rates for Aboriginal and Torres Strait Islanders, so that they are comparable with the general population; and
- improved life expectancy, health expectancy and infant mortality rates for low income Australians, so that they are comparable with the general population.

Department of Health and Ageing

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	704.5	629.9
Total expenses	704.4	609.9
Total assets	302.6	264.3
Total liabilities	208.5	184.6

4.358 The increase in income is mainly due to an increase in the department's appropriations that increased due to changes in the department's responsibilities, the Northern Territory Emergency Response and an increase in funding for existing departmental outcomes to assist with Aged Care and other programs.

4.359 The increase in expenses is largely the result of an increase in employee benefits expense from increased staffing levels and salary increases. Suppliers expenses increased as a result of the additional activity associated with new policy measures and general cost increases.

4.360 Assets increased due to an increase in appropriation receivable relating to undrawn operational and capital appropriations and the increased capitalisation of internally developed software.

4.361 Increases in liabilities relate to higher employee provisions that are consistent with an increase in average staffing levels, and an increase in the amount of goods and services invoices unpaid as at 30 June 2008.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	397.7	313.5
Total expenses	45 282.9	40 717.6
Total assets	734.5	395.7
Total liabilities	2 638.5	2 377.5

4.362 The increase in administered income primarily relates to a significant increase in Private Health Insurance Administration Council levy due to an increasing number of participants in the scheme and a gain on acquisition of Mersey Hospital.

4.363 A sizeable increase in administered expenses reflects the Australian Government's continued spending priorities for improving Australia's health and ageing systems. Spending initiatives during the year included higher payments under the Medical Benefit Scheme, Pharmaceutical Benefit Scheme and Private Health Rebates, increased spending on Immunisation and Public Hospital funding, and the addition of sport functions to the portfolio.

4.364 Administered assets increased in value with the acquisition of Mersey Hospital, the first time recognition of the Australian Sport Commission as an investment, and further acquisitions for the National Drug Stockpile.

4.365 Increases in administered liabilities relate to the outstanding amounts payable to State Government under the Australian Immunisation Agreements, first time recognition of outstanding grants relating to sports, an increase in personal benefits expenditure, and the acquisition of Mersey Hospital. This increase was partially offset by a lower aged care subsidy payable as at 30 June 2008.

Audit results

Summary of audit findings

4.366 During the interim phase of the 2007–08 audit, the ANAO identified two moderate risk matters relating to Information Technology security. The interim phase of the audit also identified two moderate audit issues relating to the TGA; Business Continuity Management and Disaster Recovery Planning and Security of the FMIS and HRMIS at the TGA. These matters were reported in ANAO Audit Report No.44 2007–08.

4.367 The issue relating to security of the FMIS and HRMIS at the TGA has been reclassified to a Category C finding due to the remedial action taken by TGA prior to completion of the final audit.

4.368 The ANAO acknowledges that DoHA has began remedial action to address the risks associated with the interim phase findings. The results of the remedial action will be reviewed by the ANAO during the 2008–09 audit.

4.369 No new moderate audit findings were identified during the final phase of the 2007–08 audit.

4.370 The following table provides a summary of the status of previously reported audit issues as well as new audit issues raised during the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	4	(1)*	0	3
Total	4	(1)	0	3

* One issue reclassified to a Category C finding.

National Blood Authority

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	10 401	10 225
Total expenses	9 021	9 059
Total assets	11 941	10 585
Total liabilities	5 053	5 319

4.371 Movements in these items were not significant and relate to fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	268 500	246 947
Total expenses	725 351	608 850
Total assets	71 763	83 695
Total liabilities	54 601	63 343

4.372 The significant increase in expenses and revenue is largely attributable to additional contributions made under the National Blood Agreement resulting from higher demand for blood and blood products and related expenditure.

4.373 Movements in other items were not significant and relate to fluctuations in normal business activities.

Audit results

Summary of audit findings

4.374 One moderate risk issue relating to information technology general controls over system access and authorisation was reported in Audit Report No 18. *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2007*. The 2006–07 audit identified that access to certain files maintained on the Authority's server was not restricted to those who required access as part of their work responsibilities.

4.375 The 2007–08 audit confirmed that action had been taken to rectify this matter.

4.376 There were no new significant or moderate audit issues identified during the 2007–08 audit.

4.377 The following table provides a summary of the status of previously reported audit issues as well as new audit issues raised during the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	0	0
Total	1	(1)	0	0

National Health and Medical Research Council (NHMRC)

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	44.4	47.2
Total expenses	43.3	32.9
Total assets	30.6	26.3
Total liabilities	11.1	8.4

4.378 The higher income in the previous year was due to: the establishment of a research fellowship scheme; the transfer of balances from DoHA in relation to NHMRC becoming an independent statutory agency; and the transfer of balances from the National Institute of Clinical Studies (NICS) following its merger with the NHMRC in April 2007.

4.379 The increase in expenses is related to an increase in average staffing levels during 2007–08, plus an increase in base salary in line with the certified agreement. Suppliers' expenses also increased due to higher contractor costs related to the increased work load for NHMRC following its establishment as a separate agency. In addition, expenses include NICS expenditure for a full year; the 2006–07 balance includes three months of NICS expenditure.

4.380 The increase in assets is largely attributable to increases in cash held plus increases in non-financial assets related to new fitout and the development of a new grants management system.

4.381 The increases in liabilities relates to higher employee provisions in line with increased employee expenses and an increase in unearned revenue in relation to NICS.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	26.5	13.6
Total expenses	566.1	466.4
Total assets	11.5	15.4
Total liabilities	6.7	1.4

4.382 In the Council's first year as a separate reporting entity, the 2006–07 Schedule of Administered Items did not include transactions relating to the Administered Medical Research Endowment Account (MREA) Special Account. This disclosure changed in 2007–08 to better reflect NHMRC's administered financial position. The 2006–07 comparative figures were adjusted to reflect the revised reporting arrangements.

4.383 The increase in income relates to expanded efforts to identify and collect recoverable amounts for grants.

4.384 The increase in expenses is in line with the increase in administered appropriation funding for the provision of medical research grants.

4.385 The movements in other items relate to fluctuations in normal business activities.

Audit results

Summary of audit findings

4.386 During the final phase of the audit, one moderate audit finding was identified. This relates to the NHMRC not having a robust process in place to follow-up grant acquittal documentation and financial statements from grant recipients. This issue was raised as a Category C finding in 2006–07, and little improvement was noted in 2007–08. NHMRC has advised that it has initiated action to address this issue. The ANAO will review the actions undertaken during the 2008–09 audit.

4.387 There were also two moderate audit findings noted during the interim phase of the audit. These related to payroll and leave entitlement processing and clearing account reconciliations. The ANAO is satisfied that the control weakness and risks identified at interim in relation to these findings have now been satisfactorily addressed.

4.388 The following table provides a summary of the status of previously reported audit issues as well as new audit issues raised in the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	2	(2)	1	1
Total	2	(2)	1	1

Australian Sports Commission

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	251.3	217.6
Total expenses	255.5	223.2
Total assets	264.4	267.3
Total liabilities	27.1	27.2

4.389 Total income and expenses increased due to additional grant funding provided to sporting bodies and sports programs.

4.390 Assets decreased due to an adjustment in the fair value of an investment during the year.

4.391 The movement in liabilities was not significant and relates to fluctuations in normal business activities.

Audit results

Summary of audit findings

4.392 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.393 There were no significant or moderate audit issues identified on non-material entities within the portfolio.

Human Services Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Human Services	Yes	✓	15 Aug 08	15 Aug 08	
-CRS Australia	No	✓	15 Aug 08	15 Aug 08	
Centrelink	Yes	✓	17 Jul 08	17 Jul 08	▲◆
Medicare Australia	Yes	✓	22 Aug 08	22 Aug 08	◆
Australian Hearing	Yes	✓	22 Aug 08	27 Aug 08	
Health Services Australia Ltd	No	✓	18 Sept 08	18 Sept 08	◆
- Work Solutions Australia Pty Ltd	No	✓	18 Sept 08	18 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.394 The Human Services portfolio covers a broad range of human services delivery matters and services including:

- directing, coordinating and improving service delivery;
- ensuring children of separated parents receive financial support from both parents;
- assisting people with injury or disability in finding employment or to return to work by providing individualised vocational rehabilitation;
- ensuring payments and services to disadvantaged families with disabilities, indigenous people and people from diverse cultural and linguistic backgrounds;
- administering a range of health and payments programs;
- providing people with a better quality of life by managing their hearing impairment; and
- providing occupational health, safety and medical assessments.

Department of Human Services

4.395 The Department of Human Services (DHS) consists of the core department, the Child Support Agency (CSA) and CRS Australia. The core department is small and strategic. The role of the core department is to direct, coordinate and broker improvements to service delivery. CSA is responsible for ensuring that children of separated parents receive the financial support that both their parents are responsible for providing. CRS Australia assists people who have a disability or injury to return to work.

4.396 From 1 July 2008 DHS has undergone an internal restructure which has involved the amalgamation of the core department and CSA.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	714.6	648.9
Total expenses	704.5	630.2
Total assets	296.9	294.7
Total liabilities	160.3	153.3

4.397 The increase in income and expenses is primarily a result of increased activity associated with the Child Support Change program and the delivery of the Australian Government Child Support Scheme Reforms that came into effect on 1 July 2008.

4.398 Movements in assets and liabilities are not significant and are the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 153.4	1 104.5
Total expenses	1 189.9	1 153.1*
Total assets	598.3	558.4*
Total liabilities	567.0	511.3*

* reported balances have changed from 2006–07 as a consequence of a prior period error relating to the recognition of transactions between Australian Government entities as administered expenses.

4.399 The movement in administered balances is the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.400 There were no significant or moderate audit issues identified in the 2007–08 audit.

Centrelink

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	2 658.6	2 511.0
Total expenses	2 686.2	2 503.2
Total assets	947.0	837.9
Total liabilities	645.4	555.1

4.401 The increase in assets is largely due to additions in Centrelink's annual leasehold improvement program including relocation to its new national office premises in Canberra.

4.402 The increase in liabilities is principally due to increases in employee provisions and operating lease payables associated with a new contract with its IT provider.

4.403 The movements in both income and expenses were the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.404 The ANAO reported three moderate control weaknesses in the interim phase of the 2007–08 audit. These related to:

- delegation levels configured within the Debt Management Information System (DMIS) not being aligned with the authority limits delegated to debt officers by the Chief Executive Officer to waive or write-off debt. Centrelink has advised that revised delegations that align with authority levels have been approved. These changes will take effect in December 2008; and
- users having inappropriate access to update benefit payment data. Centrelink has also advised that access levels and user groups have been reviewed and that no instances of inappropriate update access have been identified.

4.405 The ANAO will review the remedial actions taken as part of the 2008–09 audit.

4.406 A moderate control weakness reported at the interim phase of the 2007–08 audit relating to unresolved variances between the Financial Management Information System and the DMIS was satisfactorily resolved during the final phase of the 2007–08 audit.

4.407 The following table provides a summary of the current status of audit findings.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	3	(1)	0	2
Total	3	(1)	0	2

Medicare Australia

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	691.1	626.0
Total expenses	697.3	623.1
Total assets	302.2	292.0
Total liabilities	171.2	163.0

4.408 Income has increased due to an increase in sales revenue, generated from additional volumes relating to services provided to other government agencies, and an increase in appropriation funding.

4.409 Expenses have increased due mainly to an increase in employee expenses and an increase in supplier expenditure due to increased fees and charges relating to the contract with Information, Technology and Communications service providers.

4.410 Increases in assets and liabilities were not significant and were the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	0	0
Total expenses	1.4	0
Total assets	0	0
Total liabilities	1.4	0

4.411 In September 2007, the Australian Government announced a financial assistance package for software vendors to assist medical practitioners and specialists implement online claiming. Medicare Australia was appropriated monies to administer this program. As a result, Medicare Australia has reported administered balances for the first time in the 2007–08 financial statements. No payments were made under the program in 2007–08, but an estimate of the actual liability at 30 June 2008 has been brought to account in the 2007–08 financial statements.

Audit results

Summary of audit findings

4.412 One new moderate audit finding was identified during the final phase of the 2007–08 financial statements audit. The issue relates to Medicare Australia’s financial statement preparation process.

4.413 In 2006–07, the ANAO identified and reported issues to management around the financial statement preparation process. During the 2007–08 audit further issues continued to be identified around compliance with the Finance Minister’s Orders and accounting standards, compilation errors and the sufficiency of the audit trail of amendments as the financial statement close process progressed. Accordingly, the risk of material misstatement and incorrect presentation and disclosure in both the statements and supporting notes has increased and considered to be moderate.

4.414 Medicare Australia has indicated that improvements can be made to the process however it disagrees with the categorisation of the finding as a moderate risk. In its view, the issue is procedural and considered low risk. Medicare Australia is undertaking a review of the financial statement preparation process with a view to having a strategy for the 2008–09 financial statements process in place by early 2009.

4.415 Two prior year moderate audit findings were identified in the 2006–07 audit. The findings related to the calculation of outstanding claims liability for the Pharmaceutical Benefits Scheme and the calculation of expenditure leakage estimates for both the Pharmaceutical Benefits Scheme and Medicare benefits. Medicare Australia has now implemented strategies to resolve these findings.

4.416 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2006–07 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	2	(2)	1	1
Total	2	(2)	1	1

Australian Hearing

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	172.6	153.8
Total expenses	162.3	143.2
Total assets	76.2	72.0
Total liabilities	52.5	52.4

4.417 The increase in revenue is mainly attributable to an increase in Community Service Obligation funding of \$8.7 million, increases in the number of clients, and the number of hearing devices sold.

4.418 The increase in expenses reflects an increase in the number and cost of staff required by Australian Hearing and an increase in supplier expenses to service the increase in activity.

4.419 Movements in assets and liabilities were not significant and represented fluctuations in normal business activity.

Audit results

Summary of audit findings

4.420 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.421 Moderate audit issues identified during the 2007–08 audit of Health Services Australia and its subsidiary Work Solutions Pty Ltd are summarised below.

4.422 There were no significant or moderate audit issues identified during the 2007–08 audits of other portfolio entities.

Health Services Australia Ltd (HSA) and Work Solutions Australia Pty Ltd (WSA)

4.423 The following issues relate to the IT environment applicable to both HSA and WSA.

IT Change Management Controls

4.424 The ANAO's review of the change management controls identified that documentation was not retained on the extent and results of testing of system changes within a development or testing environment prior to implementation into the live environment. Change management processes help ensure that changes are correctly planned, implemented, and evaluated and assist in implementing system changes that will enhance service delivery in the manner intended.

Business Continuity Management

4.425 The ANAO noted that current Business Continuity Plans (BCP) and Disaster Recovery Plans (DRP) were not specific to the companies' business and operational environment. In addition, there was no evidence of formal testing of these plans. Without effective Business Continuity Management there is an increased risk that the companies would be unable to continue operations in the event of a disruption to business.

Application Security of the Financial Management Information Systems and Human Resource Information System

4.426 The ANAO identified inadequate access controls over the FMIS and HRMIS. The companies had weaknesses in access management controls over privileged user accounts and sensitive business events. In addition, a range of configuration controls and system parameters had not been implemented and/or utilised effectively within the FMIS. Weaknesses in the security controls of systems increase the risk of fraud, data manipulation and data integrity of financial information.

4.427 HSA and WSA have commenced implementation of strategies to address the above audit findings. A review of HSA's and WSA's current actions will be undertaken as part of the 2008–09 audit.

Immigration and Citizenship Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Immigration and Multicultural Affairs	Yes	✓	29 Aug 2008	29 Aug 2008	▲
Migration Review Tribunal and Refugee Review Tribunal (MRT–RRT)	No	✓	30 Sept 2008	30 Sept 2008	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

⇒: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.428 The Department of Immigration and Citizenship (DIAC) is responsible for enriching Australia through the well managed entry and settlement of people. DIAC's business is managing the permanent and temporary entry of people into Australia, enforcing immigration law, successfully settling migrants and refugees and promoting the benefits of citizenship and cultural diversity.

4.429 The Migration Review Tribunal (MRT) and the Refugee Review Tribunal (RRT) provide independent merit reviews of general visa decisions and protection visa decisions made by DIAC.

Department of Immigration and Citizenship

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 412.3	1 236.6
Total expenses	1 376.9	1 278.0
Total assets	1 222.2	678.6
Total liabilities	370.3	339.8

4.430 Income increased mainly due to an increase in appropriation funding for visa processing activity and additional budget measures including an upgrade of border control systems. Additional funding was also provided for the administration of the citizenship test and immigration health screening.

4.431 The increase in expenses is mainly attributable to expenditure associated with a significant change program, Systems for People (SfP). SfP involves the development of new systems to consolidate and integrate DIAC's existing IT applications. Another significant factor was a departmental restructure undertaken towards the end of 2007–08 in order to decrease operating costs. As a result of the restructure, a number of staff redundancies have been made. This contributed to an increase in expenses and liabilities of approximately \$11 million.

4.432 The significant increase in assets is due to increases in land and buildings, intangibles and appropriation receivables. The increase in land and buildings is due to the transfer of the Christmas Island immigration detention centre to DIAC from Finance. The costs associated with the construction of this facility were previously reported in Finance's financial statements. Intangibles increased as a consequence of software development associated with SfP and appropriation receivables increased as a result of the deferral of a number of capital and operational projects.

4.433 DIAC's liabilities have increased in line with normal business activities, except for increases relating to staff redundancies.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	710.3	633.6
Total expenses	279.8	273.5
Total assets	16.4	21.4
Total liabilities	37.9	36.6

4.434 The increase in administered income is the result of increased visa application charges and fluctuations in normal business activities relating to the processing of visa applications and the administration of the citizenship test.

4.435 Movements in expenses, assets and liabilities are not significant and were the result of fluctuations in normal business activities.

Audit results

Resolved significant and moderate audit issues

4.436 The following audit issues identified during the 2007–08 interim phase or earlier audits have now been resolved.

FMIS application management – Technical upgrade

4.437 The FMIS upgrade resulted in a range of significant management and operational issues. As a result DIAC engaged a number of external consultants to review the FMIS management and operating environment.

4.438 DIAC has completed action to address the issues resulting from the upgrade. This included finalisation of a Project Closure Report which was approved by DIAC Corporate System's Board. To ensure such issues do not arise in the future, DIAC is implementing processes to monitor and track changes to the FMIS as part of the *Forward to Standard Roadmap* project. This project to be implemented over the next two years, includes the replacement of existing customisation and the re-engineering of existing processes to align with standard functionality of the FMIS. This issue has now been resolved.

Leave liabilities expenses

4.439 The ANAO identified weaknesses in accounting for the transfer of leave liabilities between Australian Government agencies. DIAC's accounting processes appropriately record employee expense and liabilities on the

cessation or commencement of employees transferred between Australian Government agencies. However, no monitoring was performed over outstanding payments or receipts in relation to transferred employees. Consequently, employee expenses or liability may have been misstated each reporting period.

4.440 DIAC has addressed this issue through the implementation of new processes which monitor and account for the transfer of leave liabilities between it and other Australian Government agencies. The new processes streamline handling, expedite payment of liabilities and feature enhanced monitoring and processing of new starters in particular, and reduce the time between the transfer of employees and the acquittal of the leave liability. This issue has now been resolved.

Outstanding significant and moderate audit issues

SAP application management – security monitoring

4.441 DIAC's FMIS was upgraded in September 2007. As a result of weaknesses in project management arrangements, security and monitoring controls were compromised and a Category A audit issues was identified. Users were granted privileged access without authorisation, there was a failure to effectively manage segregation of duties, audit logging was not enabled between October 2007 and February 2008, and system access was not monitored during this period.

4.442 DIAC has successfully completed a program of transaction and data integrity testing over financial transactions within the FMIS. However, weaknesses were still noted in DIAC's controls over segregation of duties within the FMIS. Specifically, the FMIS security access matrix does not take into consideration all sensitive and customised transactions. Until resolved, there remains an increased risk of unauthorised transactions being processed. This issue has been reclassified to a Category B finding.

4.443 DIAC has engaged consultants to assist in the remediation of this issue through the FMIS *Forward to Standard Roadmap* project which is scheduled for implementation over the next two years.

User access management

4.444 A review of IT security controls identified a number of weaknesses in user access management over the eVisa application and the Local Area Network (LAN) including:

- the granting of access to eVisa that was inconsistent with the requirements of the eVisa System Security Plan;
- a significant number of ceased employees whose network access had not been deactivated; and
- the failure to retain access request documentation for network administrator accounts.

4.445 The process over the granting of administrator access to eVisa has been strengthened and the processes are now operating in accordance with DIAC's eVisa System Security Plan.

4.446 DIAC has strengthened the LAN user access management controls by reinstating previously automated controls that suspended LAN accounts on completion of the DIAC's employee separation process or finalisation of contractor's terms of engagement. In addition, DIAC has increased the frequency of network access review activities from quarterly to monthly to reduce the risk that network access remains active after the cessation of employment.

4.447 In view of the actions taken to date, this issue has been reclassified to a Category C finding.

Management of desktop computers

4.448 The ANAO's review of arrangements for the management of DIAC's desktop computers identified weaknesses in the management of users with privileged administrative rights for some computers. These users are granted the right to install and execute non-standard computer programs on approximately 2 000 computers.

4.449 DIAC is in the process of addressing this issue through a scheduled rollout of new desktops as part of a broader IT desktop refresh due for completion by December 2008. In addition, DIAC has advised the ANAO of additional compensating controls that decrease the risk associated with users having privileged access to desktop computers. The effectiveness of these controls will be assessed as part of the 2008–09 audit.

4.450 DIAC has made adequate progress to reclassify this issue to a Category C finding.

Adult Migrant English Program (AMEP)

4.451 The ANAO's review of financial controls relating to the Adult Migrant English Program (AMEP) identified weakness in management assurance processes over the validity and accuracy of the information entered by AMEP service providers into DIAC systems.

4.452 DIAC has commenced a program of compliance audits over AMEP expenditure. These compliance audits have provided DIAC with assurance that AMEP expenditure is free of material misstatement for 2007–08. The audits have identified further system and process weaknesses for management attention. Consequently, DIAC is implementing system based controls and contract variations. The ANAO will assess the effectiveness of these activities during the 2008–09 audit.

Credit card expenditure processing

4.453 The ANAO's review of financial controls over DIAC's Australian Government Purchasing Cards and Diners Club cards identified weaknesses in the acquittal processes. Whilst DIAC has addressed deficiencies relating to automated credit card work flows and credit card clearing accounts, the ANAO has continued to identify issues with the credit card acquittal process during the final phase of the 2007–08 audit. Accordingly, this finding remains unresolved.

The validation and reporting of business system transactions and balances within the FMIS

4.454 During 2007–08, DIAC allocated significant resources to address weaknesses in the capture and reporting of transactions in business systems and the reporting of these transactions in the FMIS. These weaknesses had resulted in incomplete or invalid transactions being reported in either the financial statements and/or management reports.

4.455 DIAC has completed a complex process of reconciling all transactions within its business systems to the FMIS. However, an amount within the 'Other Trust Monies' account remains irreconcilable. As a consequence, the records existing within the business systems do not support DIAC's 'Other Trust Monies' disclosure in the 2007–08 financial statements.

4.456 DIAC has advised that further action will be taken to identify and resolve the remaining variance.

Offshore visa business system security and processing controls

4.457 The ANAO's review of offshore visa business system (IRIS) security and processing controls identified improvements in access management practices. DIAC has implemented planned system changes that enhance the overall management of user administration. However, outstanding issues remain over the reporting and monitoring of user access and the currency of the IRIS System Security Plan.

Business continuity planning

4.458 Deficiencies in business continuity planning and Disaster Recovery (DR) arrangements were first reported as an issue in 2002-03. DIAC has made substantial progress in addressing the issues identified.

4.459 Nevertheless, our 2007-08 interim audit identified that the development, implementation, and testing of DR arrangements for the FMIS, SfP applications and IRIS applications remain outstanding.

4.460 Since the completion of the interim audit, DIAC has made further progress in addressing the issues that remained outstanding. The DR for IRIS forms part of each overseas post BCP arrangements, while DR arrangements for the FMIS have been developed and are scheduled for implementation prior to December 2008.

4.461 The ANAO will continue to review remedial measures being taken by DIAC during the 2008-09 audit.

Management of the FMIS

4.462 In 2005-06 the ANAO raised a significant audit finding in relation to the robustness of controls within DIAC's FMIS, and in particular the alignment between DIAC's policies and business needs and the internal controls configured in the FMIS, specifically system parameters and settings. As noted above, DIAC have commenced a project, *Forward to Standard Roadmap*, to address this issue.

4.463 The ANAO will continue to monitor the implementation of this project in the context of its financial statement audit responsibilities.

4.464 There were no new significant or moderate audit findings identified during the final phase of the 2007-08 financial statements audit.

4.465 The following table provides a summary of the status of previously reported audit issues as well as of new issues raised during the final phase of the 2007–08 audit:

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	1	(1)*	0	0
B	11	(4)**	0	7
Total	12	(5)	0	7

* The issue relating to SAP Security has been reassessed to a Category B finding following remediation activity undertaken by DIAC subsequent to the interim phase of the audit.

** The two audit issues relating to User Access Management and Management of Desktop Computers have been reclassified to Category C findings.

Comments on non-material entity

4.466 There were no significant or moderate audit issues identified during the 2007–08 audits of the Tribunals.

Infrastructure, Transport, Regional Development and Local Government Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Infrastructure, Transport, Regional Development and Local Government	Yes	✓	31 Jul 08	1 Aug 08	
Airservices Australia	Yes	✓	9 Sept 08	11 Sept 08	
Australian Maritime College ☞ 31 December 2007	No	✓	13 Mar 08	19 Mar 08	
A. M. C. Search Limited ☞ 31 December 2007	No	✓	13 Mar 08	19 Mar 08	
Australian Maritime Safety Authority	No	✓	24 Sept 08	24 Sept 08	◆
Australian Rail Track Corporation	Yes	✓	27 Sept 08	29 Sept 08	
Civil Aviation Safety Authority	Yes	✓	27 Aug 08	27 Aug 08	
National Transport Commission	No	✓	4 Sept 08	4 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.467 The Infrastructure, Transport, Regional Development and Local Government portfolio comprises the Department of Infrastructure, Transport, Regional Development and Local Government (DITRD LG) and a number of statutory authorities. The portfolio is responsible for:

- fostering an efficient, sustainable, competitive, safe and secure transport system; and
- assisting regions to manage their own futures.

4.468 Prior to the 3 December 2007 Administrative Arrangements Order (AAO) the portfolio was named the Transport and Regional Services portfolio.

Another AAO was issued on 25 January 2008, further defining the functions and responsibilities of the portfolio.

Department of Infrastructure, Transport, Regional Development and Local Government

4.469 The impact of the MOG changes on DITRDLG was reasonably challenging but the overall transition was well managed. The change of government and subsequent change of name from the Department of Transport and Regional Development and the transfer of functions over a number of months created an increased workload and challenges for the newly named Department. The most significant of these involved the transfer of the Territories functions to the Attorney-General's Department (AGD).

4.470 The effect of the MOG changes impacted on the planned audit approach resulting in the ANAO incurring higher than expected costs because of the additional complexity of the 2007–08 financial statements and of the inter-entity transfers.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	244.9	218.5
Total expenses	239.1	223.2
Total assets	163.4	149.9
Total liabilities	54.7	55.1

The Department's 2007–08 financial results incorporate DoTARSs income and expenses for the period 1 July 2007 to 31 December 2007 and the 2006–07 comparative results are those reported by DoTARSs.

4.471 The increase in both income and expenses during the year is due to new measures and expanded activity in transport security, airport infrastructure and increased costs associated with moving into new office accommodation.

4.472 The increase in asset values is attributable to the increased cost of fitting out new office accommodation, and slippage in the timing of planned expenditure which has resulted in an increase in appropriation receivable.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	242.5	246.0
Total expenses	5 232.8	4 565.4
Total assets	3 433.6	4 396.6
Total liabilities	30.3	31.5

4.473 Administered expenses increased because of increases in grant funding as a result of a number of significant infrastructure programs moving into the construction phase when expenditure is accelerated. These programs include: Improving National Network, National Network and Non-Network. There has also been an increase in the level of Local Government Financial Assistance Grant program expenditure during the year.

4.474 The decrease in the value of assets is due to the expensing of prepaid infrastructure grants as program work is completed, in the Improving the National Network, Supplementary Roads to Recovery and Strategic Regional Supplementary programs. The transfer of the Territories' assets and loan receivables to AGD further contributed to the reduction in the asset base. These reductions have been partially offset by an increase in the value of investments in the Australian Rail Track Corporation and the Civil Aviation Safety Authority.

Audit results

Summary of audit findings

4.475 One moderate audit issue relating to grants management and reporting was identified at the final phase of the 2006–07 audit. While this issue was not resolved at the time of the 2007–08 interim audit, subsequent action by the department has resulted in the issue being reclassified to a Category C finding.

4.476 The following table provides a summary of the status of previously reported audit issues as well as new audit issues identified during the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1) *	0	0
Total	1	(1)	0	0

* Issue reclassified to a Category C finding.

Airservices Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	752.7	728.7
Total expenses	621.6	575.4
Total assets	823.8	785.2
Total liabilities	463.9	400.2

4.477 The increase in income is attributable to greater airline activity, particularly in the domestic market across Airservices three core service lines, Enroute, Terminal Navigation and Aviation Rescue and Fire Fighting.

4.478 Expenses increased due to the recognition of decontamination provisions, increased depreciation following higher asset valuations, reduced useful lives and commissioning of new assets, and an increased write-down in the value of non-current assets.

4.479 The increase in assets is primarily due to the revaluation of non-current assets, an increase in the level of capital expenditure and an increase in deferred tax assets stemming from adjustments made to Airservices' defined benefit fund. This was partly offset by a reduction in the value of the defined benefit fund asset following actuarial assessment and sharemarket performance.

4.480 The increase in liabilities is attributable to increases in the provision for revenue returns to returned to airlines as required by the long term pricing agreement, borrowings and trade payables related to increased capital

expenditure, income tax payable and recognition of decontamination provisions.

Audit results

Summary of audit findings

4.481 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Rail Track Corporation Ltd

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	609.3	534.3
Total expenses	779.3	794.8
Total assets	2 176.7	1 451.2
Total liabilities	327.7	223.2

4.482 The increase in income is due mainly to the receipt of funding contributions from the State of New South Wales (NSW) pursuant to a tripartite agreement related to the 2004 lease of rail assets, in addition to an increase in sales revenue partly offset by a reduction in interest income due to a reduction in investment funds.

4.483 The decrease in total expenses is largely due to a decrease in the amount recognised for the impairment of infrastructure assets.

4.484 The increase in assets is mainly attributable to additions of \$604 million to property, plant and equipment and the revaluation of East-West and Hunter Valley assets of \$778 million, offset by the impairment of North-South assets of \$304 million. The increase was partly offset by a decrease in cash and other financial assets used to fund ARTC's capital expenditure program.

4.485 The increase in liabilities is due primarily to an increase in deferred tax liabilities mainly arising from the revaluation of non-NSW leased assets, and unearned revenue relating to the grants received in advance for the construction of infrastructure assets.

Audit results

Summary of audit findings

4.486 There are no significant or moderate audit issues identified during the 2007–08 audit.

Civil Aviation Safety Authority

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	143.9	129.7
Total expenses	131.7	115.7
Total assets	99.0	80.8
Total liabilities	39.4	34.8

4.487 The increase in income primarily relates to increases in aviation fuel excise due to increased activity in the aviation industry, as well as funding in relation to four new policy proposals (NPPs) for the Office of Airspace Regulation, part of the Transport Safety Assistance to Indonesia initiative, Alcohol and other Drug testing regime, and the Air Transport Safety Risk Mitigation initiative.

4.488 The movement in expenses is attributable to increases in employee expenses as a result of additional staff for the four NPPs referred to above, consultancies and contracts that relate to new projects, and property costs associated with new business premises located in Perth and Brisbane.

4.489 The increase in assets mainly relates to an increase in investments and an increase in infrastructure, plant and equipment as a result of new business premises and information technology projects.

4.490 Liabilities have increased primarily due to the recognition of property related liabilities.

Summary of audit findings

4.491 There were no significant or moderate issues identified during the 2007–08 audit.

Comments on non-material entities

4.492 There were no significant or moderate audit issues identified in non-material entities within the portfolio except for the Australian Maritime Safety Authority (AMSA).

Australian Maritime Safety Authority

4.493 The ANAO identified one moderate audit issue in 2007–08 in relation to inaccurate long service leave records.

4.494 A number of employees' long service leave records in AMSA's human resources management information system were found to be inaccurate as a result of human error and inadequate change management procedures during system changes and upgrades. AMSA has advised that a full review of all employee leave records will be performed during 2008–09.

Innovation, Industry, Science and Research Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Innovation, Industry, Science and Research	Yes	✓	18 Aug 08	18 Aug 08	
IP Australia	No	✓	9 Sept 08	9 Sept 08	
Australian Research Council	Yes	✓	12 Sept 08	12 Sept 08	
Australian Institute of Aboriginal and Torres Strait Islander Studies	No	✓	19 Sept 08	19 Sept 08	◆
Australian Institute of Marine Science	No	✓	18 Aug 08	19 Aug 08	
Australian Nuclear Science and Technology Organisation	Yes	✓	14 Aug 08	15 Aug 08	
Commonwealth Scientific and Industrial Research Organisation	Yes	✓	20 Aug 08	27 Aug 08	
Anglo-Australian Telescope Board	No	✓	18 Sept 08	29 Sept 08	
Australian Membrane Technologies Pty Limited	No	✓	14 Aug 08	14 Aug 08	
Ceramisphere Pty Ltd	No	✓	14 Aug 08	14 Aug 08	
Food Science Australia	No	✓	10 Sept 08	15 Sept 08	
Intalysis Pty Ltd	No	✓	20 Oct 08	20 Oct 08	
Science and Industry Endowment Fund	No	✓	10 Sept 08	10 Sept 08	
CVC REEF limited	No	⇒	⇒	⇒	
Wind Corporation Limited	No	✓	30 Oct 08	30 Oct 08	
IIF Bioventures Pty Ltd	No	⇒	⇒	⇒	
IIF (CM) Investments Pty Ltd	No	⇒	⇒	⇒	
IIF Foundation Pty Ltd	No	⇒	⇒	⇒	
IIF Investments Pty Ltd	No	⇒	⇒	⇒	
IIF Neo Pty Ltd	No	⇒	⇒	⇒	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

⇒: financial year end date other than 30 June 2008

⇒: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.495 The Innovation, Industry, Science and Research portfolio was established as a result of the AAOs issued on 3 December 2007 with the abolishment of the Department of Industry, Tourism and Resources (DITR) and the creation of the Department of Innovation, Industry, Science and Research (DIISR). Additional functions were transferred as a result of the AAOs on 25 January 2008.

4.496 Transfers to DIISR included functions from the former departments of DITR, Education, Science and Training (DEST) as well as the former Department of Communication, Information Technology and the Arts. In addition, the portfolio inherited a number of entities from the former DITR and DEST.

4.497 The key priority for the portfolio is to encourage the sustainable growth of Australian industries by developing a national innovation system that drives knowledge creation, cutting-edge science and research, international competitiveness and greater productivity.

Department of Innovation, Industry, Science and Research

4.498 Since its establishment, DIISR has managed a number of logistical issues relating to the maintenance of multiple financial reporting systems as it has the added responsibility of providing processing and financial management support to the Department of Resources, Energy and Tourism (RET). This situation has contributed to a number of control and procedural matters that have required remedial action. Some complexities were also experienced in preparing the 2007–08 financial statements. Despite this, the department has met its financial reporting deadlines and also provided systems support that has enabled the successful preparation of RET's 2007–08 financial statements.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07* \$m
Total income	368.9	340.6
Total expenses	362.1	340.0
Total assets	233.2	147.1
Total liabilities	108.7	92.1

DIISR's 2007–08 Departmental financial results incorporate DITR's income and expenses for the period 1 July 2007 to 2 December 2007 and the 2006–07 comparative results are those reported by DITR.

4.499 Assets increased mainly due to the assets transferred from DEST, in particular, Questacon, which has a significant asset base including its own building. Movements in other items were the results of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07* \$m
Total income	572.1	1 185.7
Total expenses	2 239.8	1 827.1
Total assets	2 678.5	553.2
Total liabilities	255.9	307.2

DIISR's 2007–08 Administered financial results incorporate DITR's incomes and expenses for the period 1 July 2007 to 2 December 2007 and the 2006–07 comparative results are those reported by DITR.

4.500 The decrease in income and corresponding expenditure were due to the transfer of royalty collection function to the newly formed department, RET.

4.501 The expenses increased primarily due to the transfer of grant programs from DEST.

4.502 The increase in assets is due to the transfer of administered investments of around \$2 billion as a result of the AAOs.

Audit results

Summary of audit findings

4.503 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Research Council

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	23.3	15.0
Total expenses	19.6	14.7
Total assets	22.7	11.4
Total liabilities	5.4	3.2

4.504 The increase in income and expenses is mainly due to the transfer of the Research Quality Framework function, including associated funding, from the former DEST as a result of the AAO of 3 December 2007.

4.505 The increase in assets is due to the increase in unspent government funding at year end, including funds transferred for the Research Quality Framework, and unspent capital funding.

4.506 The increase in liabilities is due to the recognition of lease incentives for a new building leased during 2007–08.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	5.4	8.8
Total expenses	580.5	567.5
Total assets	3.9	3.4
Total liabilities	237.5	227.4

4.507 The increase in expenses reflects higher one-off grant funding of Linkage Infrastructure projects and the first year funding of the Discovery Project.

4.508 Movements in other items were the results of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.509 There were no significant or moderate audit issues noted during the 2007–08 audit.

Australian Nuclear Science and Technology Organisation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	206.2	191.1
Total expenses	222.3	210.5
Total assets	967.5	989.9
Total liabilities	225.5	263.5

4.510 The increase in income is due to addition appropriation received to match increases in operational costs such as staff expenses and depreciation.

4.511 The decrease in assets and liabilities is due to a reassessment of the costs involved with decommissioning the OPAL nuclear research reactor.

Audit results

Summary of audit findings

4.512 There were no significant or moderate audit issues noted during the 2007–08 audit.

Commonwealth Scientific and Industrial Research Organisation

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 091.8	973.3
Total expenses	1 043.7	972.7
Total assets	2 051.8	1 569.7
Total liabilities	442.2	401.4

4.513 The increase in income is due to higher government funding as well as gains on the sale of equity investments during the year.

4.514 The increase in assets is mainly due to an increase in land and buildings on revaluation.

4.515 The increase in liabilities is due to additional supplier payables related to the implementation of IT systems and fixed asset acquisitions as well as an increase in revenue received in advance for contract research.

Audit results

Summary of audit findings

4.516 There were no significant or moderate audit issues noted during the 2007–08 audit.

Comments on non-material entities

4.517 There were no significant or moderate audit issues identified in non-material entities within the portfolio except for Australian Institute of Aboriginal and Torres Strait Islander Studies.

Australian Institute of Aboriginal and Torres Strait Islander Studies

4.518 A moderate control weakness was identified during the 2007–08 audit in relation to the authorisation of credit card payments. Instances of amounts being authorised without supporting documentation were identified, and an item being purchased of a personal nature were noted. Remedial action taken by the Institute to address this finding will be followed up as part of the 2008–09 audit.

Parliamentary Departments

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Parliamentary Services	Yes	✓	22 Aug 08	25 Aug 08	
Department of the House of Representatives	No	✓	1 Sept 08	1 Sept 08	
Department of the Senate	No	✓	9 Sept 08	9 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

📅: financial year end date other than 30 June 2008

⚠️: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Parliamentary Departments overview

4.519 There are three parliamentary departments supporting the Australian Parliament:

- Department of Parliamentary Services (DPS);
- Department of the House of Representatives (HoR); and
- Department of the Senate (DoS).

4.520 DPS is responsible for ensuring the occupants of Parliament House are supported by integrated services and facilities, that Parliament functions effectively, and that its work and building are accessible to the public.

4.521 The HoR provides services to support the efficient conduct of the House of Representatives, its committees and certain joint committees, as well as a range of services for Members in Parliament House. HoR also undertakes activities to promote the work of the House in the community and is responsible for the conduct of the Parliament's international and regional relations.

4.522 The main function of DoS is the effective and efficient provision of services to support the Senate, its committees and Senators. DoS also conducts education programs and prepares publications to promote an understanding of the Senate and of parliamentary processes.

4.523 The following comments relate only to material entities in the portfolio.

Department of Parliamentary Services

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	123.3	121.7
Total expenses	118.5	118.1
Total assets	124.4	109.5
Total liabilities	21.3	19.1

4.524 The increase in assets is due to the revaluation of property, plant and equipment, as well as an increase in appropriation receivable at year-end.

4.525 Movements in other measures are not significant and were the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1.2	0.1
Total expenses	18.3	49.3
Total assets	1 714.2	1 712.5
Total liabilities	0.1	0

4.526 The increase in administered income is due to a one-off gain from the realisation of assets not previously recognised.

4.527 The substantial decrease in expenses is due to a reduction in the depreciation expense in the current year. The major asset held by DPS is Parliament House. At 30 June 2007, as part of the revaluation of administered buildings, the assets were segregated into different components and their useful lives were separately determined. The result was to significantly extend the useful lives of a number of administered assets, thus reducing depreciation expense in 2007–08.

Audit results

Summary of audit findings

4.528 There were no significant or moderate issues identified during the final phase of the 2007–08 audit.

4.529 The interim audit reported three moderate findings related to:

- weaknesses in DPS's fraud control policy and framework and the reporting of instances of fraud;
- the need to review the Business Continuity Plan (BCP) in light of current risk and business impact assessments; and
- the development of an IT Security policy and evaluation of compliance with ASCI 33 designed to ensure the security of the infrastructure provided to all Parliamentary departments.

4.530 In the 2007–08 final audit, the ANAO observed that reasonable actions had been undertaken to satisfactorily address these issues.

4.531 The following table provides a summary of the status of previously reported issues and any new issues identified during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	3	(3)	0	0
Total	3	(3)	0	0

Prime Minister and Cabinet Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of the Prime Minister and Cabinet	Yes	✓	28 Aug 08	28 Aug 08	
Australian Institute of Family Studies	No	✓	28 Aug 08	1 Sept 08	
Australian National Audit Office	No	✓	1 Aug 08	1 Aug 08	
Australian Public Service Commission	No	✓	1 Sept 08	2 Sept 08	
Department of Climate Change	Yes	✓	30 Sept 08	30 Sept 08	
National Australia Day Council	No	✓	12 Sept 08	12 Sept 08	
National Archives of Australia	Yes	✓	12 Aug 08	13 Aug 08	
Office of National Assessments	No	✓	17 Sept 08	17 Sept 08	
Office of Renewable Energy Regulator	No	✓	11 Sept 08	12 Sept 08	
Office of the Commonwealth Ombudsman	No	✓	4 Sept 08	4 Sept 08	
Office of the Inspector-General of Intelligence and Security	No	✓	3 Sept 08	3 Sept 08	
Office of the Official Secretary to the Governor-General	No	✓	14 Oct 08	16 Oct 08	
Office of the Privacy Commissioner	No	✓	26 Aug 08	26 Aug 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

📅: financial year end date other than 30 June 2008

⏸: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.532 The objective of the Prime Minister and Cabinet portfolio is to produce a range of outputs needed for well-coordinated, efficient and accountable public administration, supported by a values-based Australian Public Service.

4.533 This is achieved by the portfolio undertaking the following responsibilities:

- the coordination of government administration, and assistance to Cabinet and its committees;
- intergovernmental relations and communications with state and territory governments;
- policy coordination in relation to climate change, counter terrorism, national security, and work and family;
- the coordination and promotion of awards and national symbols, oversight of government ceremonial and hospitality activities, and supporting official establishments; and
- freedom of information and privacy.

4.534 The Administrative Arrangements Order of 3 December 2007 established the Department of Climate Change as a separate department of state within the portfolio. The Australian Institute of Family Studies was transferred into the portfolio from the Families, Housing, Community Services and Indigenous Affairs portfolio. In addition, the Office of the Privacy Commissioner was transferred to the portfolio from the Attorney-General's portfolio. The Government Communications Unit was abolished and the functions relating to the Central Advertising System were transferred to Finance.

4.535 The National Archives of Australia was transferred to the Prime Minister and Cabinet portfolio with effect from 1 May 2008. On 1 May 2008 the Australian Government also announced plans to establish Old Parliament House (OPH) as a separate agency from 1 July 2008 as part of the Prime Minister and Cabinet portfolio. Previously OPH operations were administered as part of the Department of the Environment, Water, Heritage and the Arts.

Department of the Prime Minister and Cabinet

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	163.0	147.3
Total expenses	152.0	155.1
Total assets	87.6	94.2
Total liabilities	48.4	33.4

4.536 The increase in income was mainly attributable to an increase in appropriations relating to the Asia Pacific Economic Cooperation (APEC) Conference. PM&C also received additional funding for a range of new measures in 2007–08 including the conduct of the Cole enquiry and the strengthening of national security project.

4.537 Assets decreased in 2007–08 largely as a result of the MOG changes. This required PM&C to transfer amounts from its appropriation receivable balance to the Department of Finance and Deregulation reflecting the transfer of the aggregate media buying function.

4.538 The increase in liabilities is associated with the recognition of a provision for the return of unspent funding on the completion of the APEC project and the Australia 2020 summit. These projects were funded on a no-win/no-loss basis and PM&C has raised a provision to return approximately \$25 million of unspent appropriation funding.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	8.5	9.0
Total expenses	9.2	12.0
Total assets	42.8	44.9
Total liabilities	12.9	13.1

4.539 There were no significant movements in administered balances during 2007–08. The minor decreases mainly reflect the transfer of the Media

Commission's Special Account to the Department of Finance and Deregulation in January 2008 as a result of the MOG changes.

Audit results

Summary of audit findings

4.540 During the 2007–08 interim audit one moderate audit finding was reported in relation to PM&C's Business Continuity Plan (BCP). At that time, the Department did not have an up-to-date and tested BCP. The previous BCP was completed in 2003. PM&C was in the process of drafting a new BCP plan during the interim audit. The new BCP has since been finalised and as such this matter has been resolved.

4.541 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2007–08 audit:

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	1	(1)	0	0
Total	1	(1)	0	0

Department of Climate Change

4.542 The Department of Climate Change (DCC) became an agency as a result of the AAO of 3 December 2007. Functions and staff of the department were previously part of DEWHA, PM&C and DFAT.

4.543 The Australian Government provides funding to DCC for the development and co-ordination of climate change policies, and the development of an Emissions Trading Scheme.

4.544 Finalising the transfer of appropriations by executing Section 32 determinations took some time and the final determination was not completed until late June 2008.

4.545 At the time of the final audit, DCC was in the process of implementing key elements of its governance framework, including its Risk Management Plan and Fraud Control Plan. Nevertheless, the department did commit considerable resources to the financial statement preparation process and an unqualified audit opinion was issued.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	33.2	0
Total expenses	31.7	0
Total assets	40.9	0
Total liabilities	23.8	0

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	0	0
Total expenses	14.7	0
Total assets	0	0
Total liabilities	5.3	0

4.546 All key financial measures reported represent normal business activity.

Audit results

4.547 There were no significant or moderate audit issues identified during the 2007–08 audit.

National Archives of Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	75.1	75.6
Total expenses	67.4	68.0
Total assets	1 226.1	1 217.3
Total liabilities	15.5	14.4

4.548 There were no significant movements in income, expenses, assets and liabilities during 2007–08.

Audit results

Summary of audit findings

4.549 There were no significant or moderate audit issues identified during the 2007–08 audit.

Comments on non-material entities

4.550 There were no significant or moderate audit issues identified in non-material entities within the portfolio during the 2007–08 audits.

Resources, Energy and Tourism Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of Resources, Energy and Tourism	Yes	✓	28 July 08	28 July 08	
Geoscience Australia	No	✓	28 Aug 08	29 Aug 08	
National Offshore Petroleum Safety Authority	No	✓	27 Aug 08	2 Sept 08	
Tourism Australia	Yes	✓	11 Sept 08	11 Sept 08	◆

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.551 The portfolio was established by the Administrative Arrangements Order of 3 December 2007. Additional functions were added as a result of the Administrative Arrangements Order on 25 January 2008. Functions transferred to the Department of Resources, Energy and Tourism (RET) included functions from the former departments of Industry, Tourism and Resources; Education, Science and Training; and Environment and Water Resources. The portfolio includes Geoscience Australia, Tourism Australia and the National Offshore Petroleum Safety Authority (NOPSA) which were transferred from the former Industry, Tourism and Resources portfolio.

4.552 The portfolio is the key advisor to the government on policy options for Australia's resources, energy and tourism industries and liaises closely with the private sector, including major corporations and business associations. RET is responsible for policy development and program delivery by working with all its major stakeholders. To work effectively on issues relating to these industries and maintain relationships with stakeholders, staff work closely with all tiers of government, non-government organisations, business and the Australian public.

Department of Resources, Energy and Tourism

4.553 At the time RET was created, it entered into an interim arrangement for the Department of Innovation, Industry, Science and Research (DIISR) to provide administrative support, including processing payments and providing information for management and financial reporting purposes. This arrangement has now been extended for an indefinite term and a Memorandum of Understanding is being negotiated with DIISR for these functions. Whilst the preparation of 2007–08 financial statements was not affected, RET is dependent on the services provided by DIISR to process its financial information.

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	44.6	0
Total expenses	47.5	0
Total assets	27.2	0
Total liabilities	26.5	0

4.554 An operating loss was recorded in 2007–08 mainly due to one-off costs to establish the department.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	866.0	0
Total expenses	664.8	0
Total assets	366.3	0
Total liabilities	111.8	0

4.555 These balances mainly relate to the collection of royalties levied for uranium, petroleum and oil and gas from the East Timor Joint Petroleum Development Area. A portion of the royalties collected is paid to State and Territory Governments and traditional land owners.

Audit results

Summary of audit findings

4.556 There were no significant or moderate audit issues identified during the 2007–08 audit.

Tourism Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	164.9	162.2
Total expenses	157.9	162.8
Total assets	42.0	32.5
Total liabilities	17.9	15.7

4.557 The increase in assets is due to cash balances increasing over prior year as a result of the movement in income and expenses.

4.558 The movement in other balances was not significant and was the result of fluctuations in normal business activity.

Audit results

Summary of audit findings

4.559 The following five new moderate audit issues were identified in the 2007–08 interim audit:

- three findings related to the general information technology control environment. The audit identified a lack of policies and procedures for the management of user access; system changes were not being formally approved and documented; the IT Disaster Recovery Plan was not based on an enterprise wide risk assessment; and there was no facility for off site storage of back up tapes;
- there was no comprehensive Business Continuity Plan (BCP) to assist in the recovery of critical business processes in the event of a disaster; and
- there was not adequate segregation of duties in respect of payroll and accounts payable processing in Head Office.

4.560 During the final audit, the ANAO noted that a Business Continuity Plan had been developed and endorsed by the audit committee. This issue is therefore resolved. Tourism Australia has advised that it has initiated action to address the remaining issues.

4.561 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	5	(1)	0	4
Total	5	(1)	0	4

Comments on non-material entities

4.562 The following moderate audit findings identified in the prior year for the non-material entities within the portfolio have now been resolved.

Geoscience Australia

4.563 Three moderate risk findings were identified in the prior year in relation to:

- controls over the access to the Financial Management Information System (FMIS) were inadequate including compliance with ASCI 33;
- password access to the FMIS operating system environment was not compliant with the Security Policy or ASCI 33; and
- no Disaster Recovery Plan had been developed for the FMIS.

4.564 Geoscience Australia has taken action to remedy these issues.

National Offshore Petroleum Authority

4.565 A moderate risk finding was identified in the prior year regarding reconciliations between the payroll and general ledger. The Authority has taken action to remedy the finding.

4.566 There were no significant or moderate audit issues identified in non-material entities within this portfolio in 2007–08.

Treasury Portfolio

Reporting Entity	Material entity	Type of audit report	Date financial statements signed	Date audit opinion issued	Audit issues identified
Department of the Treasury	Yes	✓	12 Aug 08	12 Aug 08	
Australian Accounting Standards Board	No	✓	28 Aug 08	28 Aug 08	
Australian Auditing and Assurance Standards Board	No	✓	28 Aug 08	28 Aug 08	
Australian Bureau of Statistics	Yes	✓	1 Aug 08	1 Aug 08	
Australian Competition and Consumer Commission	No	✓	28 Aug 08	28 Aug 08	
Australian Office of Financial Management	Yes	✓	15 Aug 08	15 Aug 08	
Australian Prudential Regulation Authority	No	✓	28 Aug 08	28 Aug 08	
Australian Reinsurance Pool Corporation	Yes	✓	2 Sept 08	5 Sept 08	
Australian Securities and Investments Commission	Yes	✓	1 Aug 08	1 Aug 08	◆
Australian Taxation Office	Yes	✓ ^A	3 Oct 08	3 Oct 08	◆▲
Australian Valuation Office	No	✓	17 Sept 08	17 Sept 08	◆
Commonwealth Grants Commission	No	✓	29 Aug 08	1 Sept 08	
Corporations and Markets Advisory Committee	No	✓	25 Aug 08	25 Aug 08	
HIH Claims Support Ltd	No	✓	3 Oct 08	7 Oct 08	
National Competition Council	No	✓	27 Aug 08	28 Aug 08	
Office of the Inspector General of Taxation	No	✓	26 Aug 08	26 Aug 08	
Productivity Commission	No	✓	22 Aug 08	25 Aug 08	
Reserve Bank of Australia	Yes	✓	14 Aug 08	14 Aug 08	
Reserve Bank of Australia Note Printing Australia Limited	No	✓	14 Aug 08	14 Aug 08	
Reserve Bank of Australia Officers' Superannuation Fund	No	✓	30 Sept 08	30 Sept 08	
Royal Australian Mint	No	✓	3 Sept 08	4 Sept 08	

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: auditor's report contains a qualification

A: auditor's report contains Other Legal and Regulatory Requirements

☞: financial year end date other than 30 June 2008

☞: signed financial statements not presented for audit at this time

▲: moderate or significant issues reported previously not yet resolved

◆: new moderate or significant issues noted

Portfolio overview

4.567 The Treasury portfolio consists of the Department of the Treasury and a large number of statutory and non-statutory bodies. The portfolio undertakes a range of activities aimed at achieving strong sustainable economic growth and the improved wellbeing of Australians. This entails the provision of policy advice to Portfolio Ministers which seeks to promote a sound macroeconomic environment; effective government spending arrangements; effective taxation and retirement income arrangements; and well functioning markets. It also entails the effective implementation and administration of policies that fall within the Portfolio Ministers' responsibilities.

4.568 As a result of the MOG changes of 3 December 2007, the Commonwealth Grants Commission was transferred to the Treasury portfolio from the Finance and Deregulation portfolio. The Commonwealth Grants Commission provides advice to the Australian Government on the equitable distribution of GST revenue, and health care grants to state and territory governments.

Department of the Treasury

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	158.2	142.2
Total expenses	150.0	152.6
Total assets	95.5	73.7
Total liabilities	42.5	39.8

4.569 The increase in income is attributable to additional appropriations received in 2007–08 for new measures including the Standard Business Reporting Program and the Emissions Trading Scheme.

4.570 The increase in assets is attributable to an increase in the appropriation receivable balance as a result of additional appropriations received for the Standard Business Reporting Program that will continue into 2008–09.

4.571 The movement in expenses and liabilities was not significant and is the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	1 825.2	1 873.0
Total expenses	42 655.7	39 955.6
Total assets	17 287.3	16 564.3
Total liabilities	4 829.6	4 929.3

4.572 The reduction in administered income is the result of a smaller dividend paid by the Reserve Bank of Australia in 2007–08 compared with the dividend paid in 2006–07.

4.573 Administered expenses increased due to higher payments made to the State and Territory Governments for Goods and Services Tax (GST) collections. The higher payments were as a result of growth in economic activity in 2007–08. The Treasury also paid a new grant in 2007–08 to the Western Australian Government as on-going compensation for the loss of shared offshore petroleum royalty revenue. This is as a result of the removal of the exemption on condensate, a component of oil production, from crude oil excise.

4.574 The increase in administered assets relates to an increase in the value of investments held in Australian government entities, the RBA in particular.

4.575 The movement in administered liabilities was not significant and is the result of fluctuations in normal business activities.

Audit results

Summary of audit findings

4.576 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Bureau of Statistics

Summary of Financial Results

Departmental items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	328.5	438.2
Total expenses	330.0	437.6
Total assets	182.1	169.4
Total liabilities	115.3	109.5

4.577 The decrease in income and expenses was primarily due to decreases in appropriations related to the completion of the 2006 Census. The finalisation of activity on the 2006 Census reduced both employee and suppliers expenses in 2007–08.

4.578 The increase in assets is attributable to an increase in the appropriation receivable balance. This relates to funding for the standard business reporting program and capital spending which will be undertaken in future years.

4.579 The increase in liabilities is the result of an increase in employee provisions.

Audit results

4.580 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Office of Financial Management

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	10.2	10.1
Total expenses	7.5	8.4
Total assets	15.7	13.0
Total liabilities	1.3	1.4

4.581 The increase in assets is the result of an increase in the appropriation receivable relating to accumulated unutilised Government appropriations that the AOFM is able to carry forward for expenditure in future years.

4.582 Movements in other measures were not significant and are the result of fluctuations in normal business activities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	2 998.1	3 134.8
Total expenses	5 351.0	5 395.0
Total re-measurements	(117.6)	1 014.7
Total assets	31 936.3	23 283.7
Total liabilities	59 440.7	57 138.3

4.583 The decrease in administered income is attributable to a number of off-setting factors. Interest revenue on term deposits has increased due to an increase in average investment yields from 6.15% to 6.89%. However this has been offset by a reduction in the average daily investment level from \$18,645 million in 2006–07 to \$17,378 million in 2007–08. In addition, gross swap interest revenue has decreased by \$189 million due to maturities.

4.584 The movement in administered expenses is largely attributable to a decrease of \$40 million in Treasury Bond debt servicing costs due to maturing high yield bonds (weighted average yield of 9.01%) which were replaced by lower yielding bonds (weighted average yield of 6.25%).

4.585 The re-measurements relate to the unrealised mark-to-market adjustments for AOFM's financial instruments measured at fair value. The movement in 2007–08 is largely due to the downward adjustment of Commonwealth Government Securities (CGS) in 2007–08. The re-measurement of the Treasury Capital Indexed Bonds also contributed to the downward adjustment. The AOFM recognised a mark-to-market loss for Treasury Capital Indexed Bonds in 2007–08 compared to a gain in 2006–07.

4.586 The increase in total assets is the result of an increase in the term deposit balance from AOFM's management of cash balances in the Official Public Account. These balances have been affected by the 2007–08 budget surplus, the sale of Telstra, transfers to special purpose funds and net issuance of CGS during 2007–08.

4.587 The movement in total liabilities is largely attributable to the issue of new Treasury bonds due for maturity in April 2012 and May 2021.

Audit results

Summary of audit findings

4.588 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Reinsurance Pool Corporation

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	129.4	115.7
Total expenses	4.8	4.4
Total assets	504.6	378.9
Total liabilities	47.8	46.9

4.589 The increase in income is mainly attributable to an increase in investment income. This has occurred due to the increasing size of the pool of

funds and the higher interest rate environment experienced during 2007–08. Returns on the total investment portfolio have been strong which has significantly contributed to the increase in investment income.

4.590 Total assets have increased as a result of an increase in funds invested with the RBA and funds managed by Suncorp Investment Managers. Surplus funds in 2007–08 were invested in term deposits and at-call accounts with the RBA and other financial institutions.

4.591 The movements in expenses and liabilities are not significant and are the result of fluctuations in normal business activities.

Audit results

4.592 There were no significant or moderate audit issues identified during the 2007–08 audit.

Australian Securities and Investment Commission

Summary of Financial Results

Departmental Items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	292.0	257.9
Total expenses	273.8	255.7
Total assets	176.6	109.1
Total liabilities	100.6	87.8

4.593 The increase in income was primarily the result of additional government for phase 2 of ASIC's information technology, security and risk mitigation project and application development and funding for ASIC's investigation of matters referred by the Cole Inquiry. There was also an increase in funding for matters funded from the Enforcement Special Account.

4.594 The increase in expenses is attributable to an increase in employee costs. Employee costs rose in 2007–08 due to both increases in staff numbers, and in average salaries. Following a strategic review, a provision was raised for anticipated redundancies.

4.595 The movement in assets is attributable to an increase in the appropriation receivable balance during 2007–08. This is mainly due to equity injection of \$38.8 million ASIC received in 2007–08.

4.596 Liabilities have increased as the result of an increase in employee provisions. The increase has occurred due to increases in staff numbers and average salaries. The provisions relating to staff redundancies and make good on leasing arrangements also increased.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	589.9	558.5
Total expenses	52.9	50.2
Total assets	86.1	79.4
Total liabilities	4.8	4.6

4.597 The increase in administered income is attributable to greater compliance activity and an increase in annual review fees.

4.598 The increase in administered assets is mainly the result of an increase in debtors arising from the growth in company incorporations in previous years.

4.599 There were no significant movements in administered expenses and liabilities in 2007–08.

Audit results

Summary of audit findings

4.600 The ANAO reported two moderate control weaknesses. The 2007–08 interim audit identified that ASIC did not have a comprehensive IT Disaster Recovery Plan based on the conduct of a business impact analysis. ASIC is working towards documenting and testing a Disaster Recovery Plan by December 2008.

4.601 The interim audit also found that ASIC had not performed a full recovery test of mid-range systems, including its FMIS and HRMIS, to the off site disaster recovery site. Disaster recovery testing had been restricted to the mainframe environment only. ASIC is also aiming to rectify this issue by December 2008.

4.602 The following table provides a summary of the status of previously reported audit issues as well as new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	0	0	0	0
B	2	0	0	2
Total	2	0	0	2

Australian Taxation Office

Summary of Financial Results

Departmental items

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	2 873.9	2 661.8
Total expenses	3 002.7	2 601.1
Total assets	919.5	890.3
Total liabilities	937.1	849.5

4.603 The increase in income was the result of new budget measures including superannuation simplification, pre-filling of tax returns, standard business reporting and support for new business.

4.604 The increase in expenses is primarily due to increases in staff costs to implement a range of government initiatives, the establishment of an allowance for impairment against the carrying value of internally developed software under construction and an increase in rent for Canberra office accommodation.

4.605 The increase in assets was due to increases in leasehold improvements for the new Canberra office accommodation, capital expenditure on information technology systems, and the prepayment of rent and maintenance agreements. These were partly offset by a decrease in appropriations receivable.

4.606 The increase in liabilities relates to an increase in employee leave provisions, the development of computer software, and lease liabilities.

Items administered on behalf of the Australian Government

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	278 071	254 821
Total expenses	13 403	12 768
Total assets	26 417	21 384
Total liabilities	8 551	6 759

4.607 The increase in administered income is a result of growth in income taxes attributable to the strong performance in 2007–08 by companies particularly in the resources and finance sectors in addition to a strong labour market.

4.608 The increase in administered expenses is the result of: growth in the number of beneficiaries under the new fuel tax credit schemes reflecting the expansion of the scheme and the relaxation of eligibility requirements; an expansion of the superannuation co-contribution scheme; offset by a significant decrease in the provision made for taxation debts that may not be recovered.

4.609 The increase in administered assets is due mainly to an increase in gross taxation receivables caused by the strong economy that had also contributed to the growth in both company and individual income taxation revenue.

4.610 The increase in administered liabilities is due to an increase in accrued personal benefits expenses and the provision for taxation refunds. These items have primarily increased due to an expansion of the superannuation co-contribution scheme and higher taxation revenues and a greater provision for late credit assessments and/or amendments.

Audit results

Summary of audit findings

4.611 The 2007–08 financial statements made reference, in Note 23C, to a number of breaches of section 83 of the Constitution. These breaches were identified by the ATO during the 2007–08 Certificate of Compliance process. The note to the financial statements indicates that, from time to time, as a result

of processing errors other than during the assessment process, incorrect payments are made by the ATO. In these circumstances, a payment is made to a taxpayer without any legislative basis, which constitutes a breach of section 83 of the Constitution.

4.612 A total of 387 incorrect payments totalling \$5.2 million were identified during the 2007–08 year. The ATO makes in excess of 12 million payments annually and the incorrect payments represented a very small percentage (0.007%) of cash payments made during 2007–08. At the time of signing the financial statements, over 95% of the incorrect payments had been recovered.

4.613 The audit opinion on the financial statements was unqualified, however the opinion did include a reference to the breach of section 83 of the Constitution under “Other Legal and Regulatory Requirements”.

Significant audit findings —Category A

Outstanding significant audit finding from prior years

Security Classification

4.614 During the 2005–06 audit, the ANAO identified non-compliance with the Australian Government Protective Security Manual (PSM). During the 2007–08 audit, the ANAO has continued to observe instances where the ATO was not complying with its IT security policy and the requirements of the PSM with respect to the classification and storage of protected information. Weaknesses in the application of security classifications increase the risk that persons without the appropriate clearance or access rights may have access to information and/or information may be inappropriately distributed.

4.615 Progress is being made to address these security issues with several projects relating to information security in progress at the time of the 2007–08 audit. In addition, an external review of information security has been completed and electronic scanning of outgoing emails is occurring. However, until these initiatives are completed, including the implementation of agreed recommendations of the external review, risks with respect to the classification and storage of protected information remain.

4.616 The PSM allows agency heads to waive requirements for a defined purpose until an agreed review date. In June 2008 the Commissioner of Taxation extended a waiver against certain minimum standards of the PSM and the Australian Government Information and Communications Technology Security Manual (ACSI 33) until May 2010.

Moderate audit findings—Category B

4.617 The ANAO reported four moderate control weaknesses in the interim phase of the 2007–08 audit. During the final phase of the 2007–08 audit, the ANAO observed that the ATO had effectively addressed the moderate audit findings relating to:

- calculation of administered cash-on-hand; and
- the process for estimation and review of the provision for non-scheme doubtful debts less than \$1 million.

Outstanding moderate audit findings from prior years

4.618 The 2007–08 audit identified that reasonable progress had been made on two outstanding moderate audit findings previously reported. The ANAO has observed the ATO has plans in place to address audit findings in relation to:

- IT security management; and
- arrangements with other Australian Government agencies.

IT security management

4.619 The ANAO has previously identified limitations in the ATO's IT Security Policy coverage of the management of IT security incidents, requirements for testing of third party software products, reviews of physical access to data centres and the adequacy of internal compliance reviews. Previous audits have also identified weaknesses in responsibilities for mainframe security access and procedures for user access. The ATO has prepared a structured set of activities to address these matters over the next year. The ANAO will review actions taken as part of the 2008–09 audit.

Arrangements with other Australian Government agencies

4.620 The ATO has a number of arrangements with other agencies for the provision and receipt of services. Previous audits identified that some Memoranda of Understanding (MOUs) had expired and were in the process of renegotiation. The ANAO considers that the ATO should continue efforts to establish or update Service Level Agreements and MOUs to ensure that there is a formal basis for the provision of services on behalf of other agencies.

New moderate audit findings identified

4.621 The following three new audit findings were identified in the final phase of the audit.

Change program cost allocation system—Inadequate IT application and data assurance controls

4.622 The ATO is in the process of changing its business systems as part of the Easier, Cheaper and More Personalised program known as the Change Program. The ANAO undertook a review of IT controls in the cost allocation system that captures data on labour hours and costs allocations associated with internally developed software for the change program. The data is used in the calculation of labour dollars and the allocation of labour costs between supplier expenses and capital costs.

4.623 The ANAO identified weaknesses in relation to:

- user access management, such as an excessive number of administrator accounts;
- the segregation of duties;
- data integrity that results in an increased risk of not identifying unauthorised task mapping to supplier expenses and capital costs;
- performance issues that resulted in the inability of the cost allocation system to produce, in a timely manner, reporting data; and
- issues associated with the functionality and performance of the cost allocation system, that were identified by a systems “health check”, not being addressed.

4.624 As a result of the control weaknesses identified, there are risks that the cost allocation system data could be inaccurate or incomplete.

Financial management of the change program

4.625 A review of the financial management of the change program including the cost allocation system for internally developed software identified the following control weaknesses:

- insufficient documentation of the reasons for variances in reconciliations between change program employees in the cost allocations system with change program employees in the human resource system;
- various reconciliations were not prepared and reviewed in a timely manner;
- multiple versions of policy and procedure manuals; and

- management reviews not considering whether the system's data should be reclassified from capital costs to supplier expenses where circumstances that affect the decisions concerning capitalisation of costs have changed.

4.626 These weaknesses also increased the risk of cost allocation system data being inaccurate or incomplete.

Processing of FMA Act S30 refunds

4.627 Due to clerical errors, on occasions, the ATO incorrectly processes refunds and subsequently initiates debt recovery for the amounts overpaid. In 2007–08 387 payments, totalling \$5.2 million were identified of which 95% had been recovered at the time of signing the financial statements. The amounts recovered are adjusted in the relevant business systems. The ANAO identified weaknesses in the controls designed to accurately identify refunds that have been repaid against transactions in the relevant business systems. As a result of these weaknesses, there are risks of not accurately reporting repaid refunds against the correct special appropriation in the notes to the financial statements.

4.628 The ATO continues to implement strategies to address these audit findings. A review of these strategies will be undertaken as part of the 2008–09 audit.

4.629 The following table provides a summary of the status of previously reported audit findings as well as the new issues raised during the final phase of the 2007–08 audit.

Ratings	Opening position (at end of 2008 interim phase)	Issues resolved (during 2008 final audit phase)	New issues identified (during 2008 final audit phase)	Closing position (at conclusion of 2008 final audit)
A	1	0	0	1
B	4	(2)	3	5
Total	5	(2)	3	6

Reserve Bank of Australia

Summary of Financial Results

Key financial measures for year	2007–08 \$m	2006–07 \$m
Total income	4 643	2 710
Total expenses	3 213	4 103
Total assets	101 472	131 894
Total liabilities	92 259	123 276

4.630 The RBA's results and balances are impacted by financial market movements and its response in managing monetary policy. As a result, significant movements may occur throughout the year and the position at each year end does not represent changes in fundamental operations on a year to year basis.

4.631 Over the year, the balance sheet declined in size by \$31 billion as a result of a reduction in deposits placed with the bank by Australian Government agencies. As these liabilities reduced, the RBA ran down its assets, primarily by reducing its holdings of foreign currency swaps.

4.632 Significant movements in income and expenses primarily related to movements in the value of foreign exchange holdings with the Australian dollar appreciating over 2007–08, and increases in interest rates applicable to assets and liabilities. The RBA's underlying earnings more than offset the impact of foreign exchange volatility.

Audit results

Summary of audit findings

4.633 There were no significant or moderate audit issues noted during the 2007–08 audit.

Comments on non-material entities

4.634 There were no significant or moderate audit issues identified in non-material entities except for the Australian Valuation Office.

Australian Valuation Office

4.635 The ANAO identified one moderate issue during the 2007–08 audit. The Australian Valuation Office (AVO) has integrated components of its business operations into a number of corporate structures and processes of the Australian Taxation Office in the past financial year. The ANAO noted that this integration occurred without formal agreement on service requirements or cost charging arrangements. The AVO advised that an agreement with the ATO was expected to be finalised by the end of November 2008.



Ian McPhee
Auditor-General

Canberra ACT
17 December 2008

Appendices

Appendix 1: Mandate Changes in 2007–08

The following is a listing of new entities in 2007–08 and entities that ceased to be audited by the Auditor-General in 2007–08.

New entities audited in 2007–08

Single Vision Grants Australia Limited
Australian Commission for Law Enforcement Integrity
Royal Australian Navy Central Canteen Board
Lyon Joint Venture
Workplace Authority
Murray-Darling Basin Authority
Outback Stores Pty Limited
Scarborough House Investment Trust
Scarborough House Office Trust
PSS/CSS Investment Fund
Ceramisphere Pty Ltd
Intalysis Pty Ltd

Entities that ceased to be audited by the Auditor-General

Entities that ceased to be owned or controlled by the Commonwealth

Seafood Services Australia
The Adelaide Symphony Orchestra Pty Ltd
The Queensland Symphony Orchestra Pty Ltd

Entities that ceased to exist

Office of Film and Literature Classification
Business Services Trust Account
Regional Telecommunications Infrastructure Account
Australia-Japan Foundation

Entities in liquidation

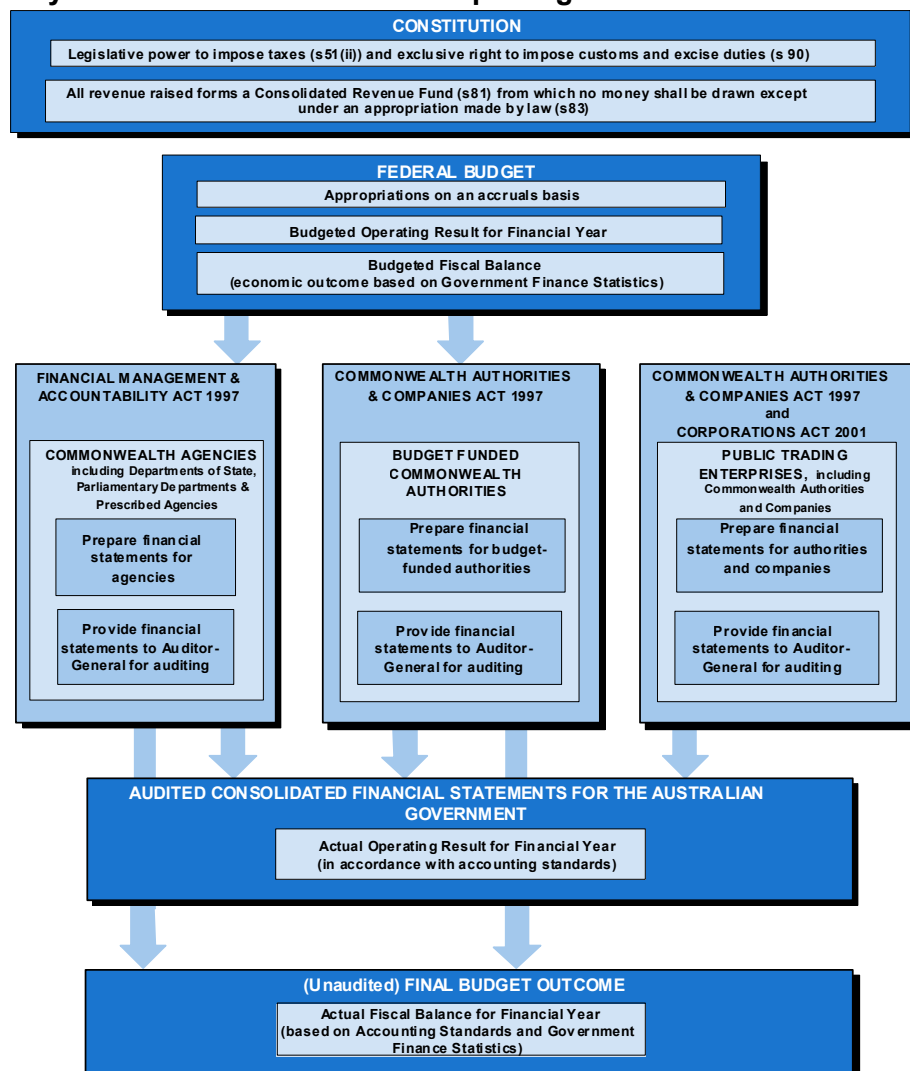
NetAlert Pty Limited – deregistered in November 2008.

Appendix 2: The Financial Reporting Framework

Key elements of the Australian Government's financial reporting framework is outlined in the diagram below. Then follows an overview of the financial reporting requirements for the various types of Australian Government entities covered by the framework. Finally, the audit of the financial statements of these entities is briefly described.

Figure A 1

Key Elements of the Financial Reporting Framework



Source: ANAO

Australian Government Reporting Entities

Commonwealth Government of Australia

Section 55 of the FMA Act requires the Finance Minister to prepare annual financial statements for the Commonwealth Government of Australia. These financial statements are a general purpose financial report consolidating the financial activities and financial position of all agencies, authorities and other entities controlled by the Commonwealth Government.

Australian Government agencies

Australian Government agencies are subject to the provisions of FMA Act. They comprise departments of state, parliamentary departments and prescribed agencies.

The FMA Act requires agency Chief Executives to prepare financial statements for their agencies in accordance with FMOs. The FMOs include a requirement that the statements comply with accounting standards issued by the Australian Accounting Standards Board.

Australian Government authorities and subsidiaries

Australian Government authorities are bodies corporate that hold money on their own account and have been created by the Parliament to perform specific functions. Authorities operate under their own enabling legislation and also must comply with relevant provisions of the CAC Act.

The CAC Act requires the governing bodies of authorities to prepare financial statements in accordance with the FMOs. Directors must also ensure that subsidiaries prepare financial statements in accordance with the *Corporations Act 2001* (where applicable) and the CAC Act.

Australian Government companies and subsidiaries

Australian Government companies are companies in which the Australian Government has a controlling interest. Australian Government companies operate and prepare financial statements under the *Corporations Act 2001* and relevant provisions of the CAC Act.

Directors of an Australian Government company must ensure subsidiaries of the company prepare financial statements in accordance with the *Corporations Act 2001* and the CAC Act.

Other bodies

The ANAO also audits the financial statements of other bodies controlled by the Commonwealth or where the Commonwealth has significant influence. These consist primarily of trusts or joint ventures entered into by controlled Commonwealth bodies.

Audit of Australian Government financial statements

Audit scope

The Chief Executives of agencies, and the directors of authorities and companies, are responsible for the preparation and presentation of the financial statements and for the records, internal control, procedures and organisation that support the preparation of those statements. The ANAO's independent audits of financial statements are undertaken to form an opinion whether the financial statements are free from material misstatement.

The audits are conducted in accordance with the ANAO Auditing Standards, which incorporate the Australian Auditing Standards (ASAs), to provide reasonable assurance as to whether the financial statements are free of material misstatement.

Audit procedures include examination of the entity's records and its internal control, information systems, control procedures and statutory disclosure requirements. Evidence supporting the amounts and other information in the statements is examined on a test basis, and accounting policies and significant accounting estimates are evaluated.

The entity's internal control relevant to the entity's preparation and fair presentation of the financial statements is evaluated, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In some audits, audit procedures concentrate primarily on substantiating the amounts appearing in the financial statements and do not include a detailed testing of systems and internal controls.

The primary responsibility for the prevention and detection of fraud and error rests with both those charged with the governance and the management of an entity. An audit conducted in accordance with ASAs is designed to provide reasonable assurance that the financial report, taken as a whole, is free from material misstatement, whether due to fraud or error. The fact that an audit is

carried out may act as a deterrent. However, the auditor is not responsible for the prevention of fraud and error.

The auditor's report on financial statements

The ANAO auditor's report on the financial statements includes a statement of the auditor's opinion as to whether the statements give a true and fair view of the entity's financial position, the results of its financial operations and its cash flows in accordance with the Finance Minister's Orders (FMOs), including Australian Accounting Standards (AAS) and Interpretations.

If the auditor is not satisfied that the financial statements are true and fair, the auditor's opinion is modified, with the reasons being indicated. The auditor's opinion may be modified because of a disagreement between the auditor and management of the entity on the application of accounting standards or other reporting requirements, because the scope of the audit work needed to form an opinion has been limited in some way, or if there was a conflict between AAS and the requirements of the FMOs.

The various types of auditor's reports that can be issued are explained below.

Unqualified Auditor's Reports

An unqualified auditor's report is provided when the financial statements give a true and fair view of the matters required by the Finance Minister's Orders, including Australian Accounting Standards and Interpretations, so as to present a view which is consistent with the entity's financial position, its financial performance, and its cash flows.

Modified Auditor's Reports

The types of modified auditor's reports and the basis for issuing these reports are as follows:

- A "qualified opinion" is expressed when the auditor concludes that an unqualified opinion cannot be expressed due to a disagreement with management, a conflict between applicable financial reporting frameworks or a scope limitation; however the effect is not so material and pervasive as to require an adverse opinion or a disclaimer of opinion. The qualified opinion is expressed as being "except for" the effects of the matter to which the qualification relates.
- A "disclaimer of opinion" is expressed when a limitation on the scope of the auditor's work exists and the possible effect of the limitation on

scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

- An “adverse opinion” is expressed when the effect of a disagreement with management or a conflict between applicable financial reporting frameworks is so material or pervasive to the financial statements that the auditor concludes that a qualification is not adequate to disclose the misleading or incomplete nature of the financial statements.
- An “emphasis of matter” is expressed in certain circumstances to draw attention to, or emphasise, a matter that is included in a note to the financial statements that is relevant to the users of the auditor’s report but is not of such a nature that it affects the auditor’s opinion (i.e. the auditor’s opinion remains unmodified). The circumstances in which an emphasis of matter is used are specified and include:
 - when a significant uncertainty exists, the resolution of which depends upon future events and which may materially affect the financial statements;
 - when information in a document containing the audited financial statements is materially inconsistent with the financial statements; and
 - when financial statements and the auditor’s report have been issued and a fact is discovered that leads to revised financial statements and a new auditor’s report being prepared.

Reports on Other Legal and Regulatory Requirements

The auditor’s report on the financial statements may also include a report on other legal and regulatory requirements. This allows the Auditor-General to draw the attention of the Parliament to significant departures from the financial management framework.

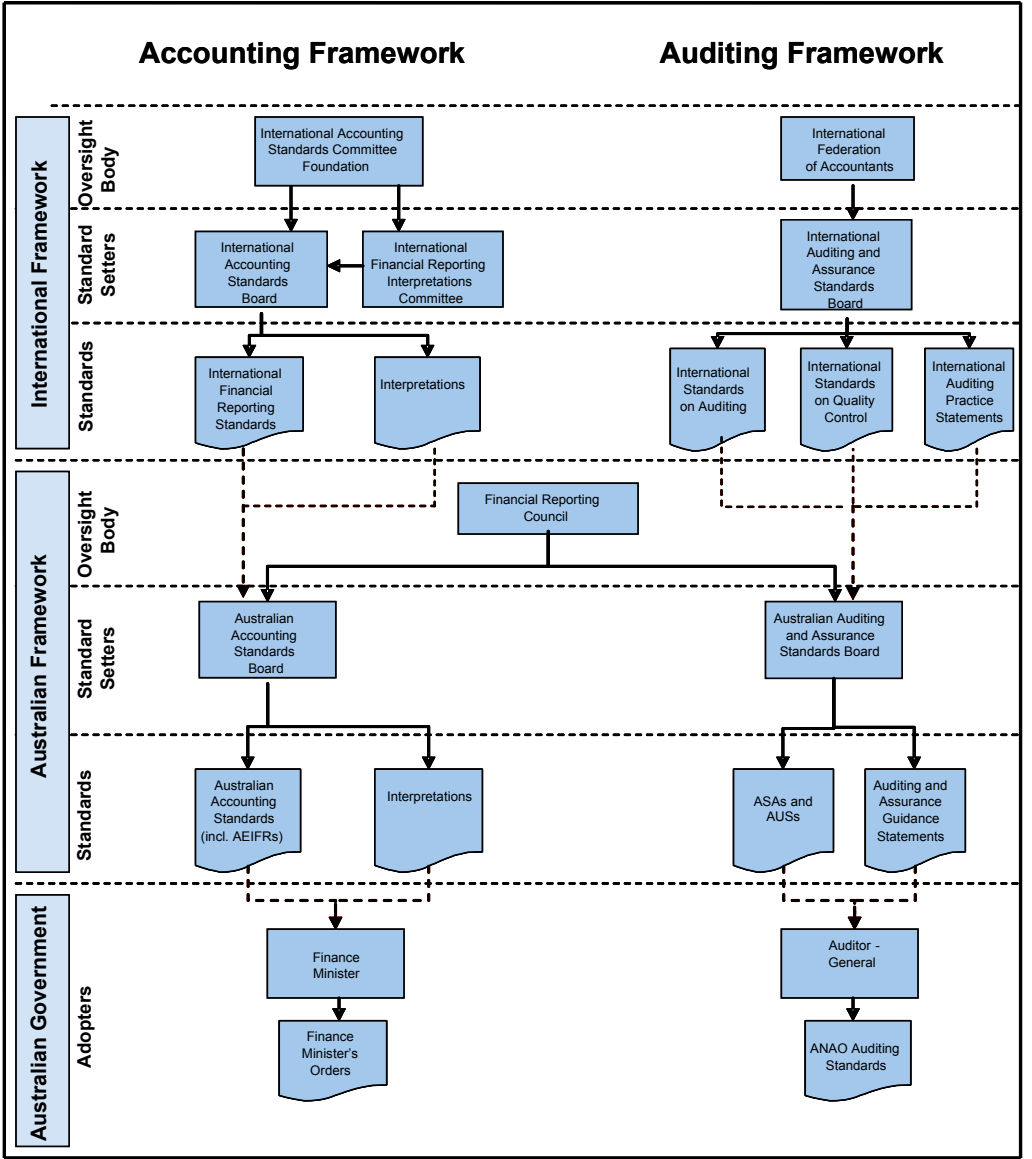
For example, section 57 of the FMA Act requires that, where the Auditor-General is of the opinion that a Chief Executive has contravened section 48 of the Act, the Auditor-General must state in the auditor’s report on the financial statements, the particulars of the contravention. (Section 48 requires the Chief Executive to keep proper accounts and records).

The Auditor-General may also refer to contraventions of other statutory requirements that he considers significant.

The Auditor-General is not required to audit the financial statements of overseas subsidiaries of Commonwealth authorities where it is impracticable or unreasonable for him to do so. In these cases, the auditor's report on the authority's consolidated financial statements must make relevant disclosures required by the CAC Act.

Appendix 3: The Accounting and Auditing Standards Frameworks

The figure below depicts the standard setting framework, for accounting and auditing, in the Australian Government context.



Source: ANAO

Appendix 4: Number of audit findings

Table A 1

Significant or moderate findings, at the conclusion of the 2007–08 interim phase, for agencies covered by the interim audit report, Audit Report No 44 2007–08

Entity	2007–08 Rating		2006–07 Rating	
	A	B	A	B
Department of Agriculture, Fisheries and Forestry	0	0	0	0
Attorney–General’s Department	0	1	0	3
Australian Customs Service	0	2	0	8
Department of Broadband, Communications and the Digital Economy^	0	1	0	0
Department of Defence*	7	40	16	39
Defence Materiel Organisation*	1	12	6	16
Department of Veterans’ Affairs	0	1	0	2
Department of Education, Employment and Workplace Relations^	0	0	0	0
Department of the Environment, Water, Heritage and the Arts^	0	0	0	1
Department of Families, Housing, Community Services and Indigenous Affairs	0	1	0	5
Department of Finance and Deregulation	0	0	0	0
The Board of Guardians and the Future Fund Management Agency*	0	0	0	0
Department of Foreign Affairs and Trade	0	0	0	0
Department of Health and Ageing	0	4	0	2
Department of Human Services	0	0	0	3
Centrelink	0	3	0	3
Medicare	0	2	0	0
Department of Immigration and Citizenship	1	11	0	6
Department of Infrastructure, Transport, Regional Development and Local Government ^	0	1	0	1
Department of Innovation, Industry, Science and Research^	0	0	0	0
Department of the Prime Minister and Cabinet	0	1	0	1
Department of Climate Change*	0	0	0	0
Department of Resources, Energy and Tourism *^	0	0	0	0
Department of the Treasury	0	0	0	0
Australian Office of Financial Management	0	0	0	0
Australian Taxation Office	1	4	2	7
Total	10	84	24	97

Source: ANAO

Note: *At the time of reporting, the interim audit was still in progress.

^ The number of audit findings includes those relating to agencies that existed in 2006–07.

Table A 2

Significant or moderate or findings of material entities grouped by portfolio at the conclusion of the final audit phase of the 2007–08 audits

Entity	2007–08 Rating		2006–07 Rating	
	A	B	A	B
Department of Agriculture, Fisheries and Forestry	0	0	0	0
Dairy Adjustment Authority	0	0	0	0
Grains Research and Development Corporation	0	0	0	0
Attorney-General's Department	0	1	0	0
Australian Customs Service	0	2	0	3
Australian Federal Police	0	1	0	0
Australian Government Solicitor	0	0	0	1
Family Court of Australia	0	0	0	0
High Court of Australia	0	0	0	0
National Capital Authority	0	0	0	0
Department of Broadband, Communications and the Digital Economy	0	1	0	0
Australian Broadcasting Corporation	0	0	0	0
Australian Communications and Media Authority	0	0	0	0
Australian Postal Corporation	0	0	0	0
Special Broadcasting Service Corporation	0	0	0	0
Department of Defence	3	24	9	43
Australian War Memorial	0	0	0	0
Defence Housing Authority	0	0	0	0
Defence Material Organisation	1	10	1	14
Department of Veterans' Affairs	0	0	0	3
Department of Education, Employment and Workplace Relations	0	1	0	0
Coal Mining Industry (Long Service Leave Funding) Corporation	0	0	0	0
Comcare Australia	0	1	0	0
Department of Environment, Water, Heritage and the Arts	0	0	0	0
National Water Commission	0	0	0	0
Bureau of Meteorology	0	0	0	0
Film Finance Corporation Australia Limited	0	0	0	0
National Gallery of Australia	0	3	0	0
National Library of Australia	0	0	0	1

Entity	2007–08 Rating		2006–07 Rating	
	A	B	A	B
National Museum of Australia	0	0	0	2
Department of Families, Housing, Community Services and Indigenous Affairs	0	0	0	2
Aboriginal and Torres Strait Islander Land Fund Account	0	0	0	0
Indigenous Business Australia	0	3	0	6
Department of Finance and Deregulation	0	0	0	0
Australian Electoral Commission	0	0	0	0
Australian Industry Development Corporation	0	0	0	0
ASC Pty Ltd	0	0	0	0
Future Fund Management Agency and Board of Guardians	0	0	0	0
Medibank Private Ltd	0	0	0	0
Department of Foreign Affairs and Trade	0	0	0	0
Australian Agency for International Development	0	0	0	0
Australian Trade Commission	0	0	0	0
Export Finance and Insurance Corporation	0	0	0	0
Department of Health and Ageing	0	3	0	2
National Blood Authority	0	0	0	1
National Health and Medical Research Council	0	1	0	1
Australian Sports Commission	0	0	0	0
Department of Human Services	0	0	0	3
Centrelink	0	2	0	3
Medicare Australia	0	1	0	2
Australian Hearing	0	0	0	0
Department of Immigration and Citizenship	0	7	0	6
Department of Infrastructure, Transport, Regional Development and Local Government	0	0	0	1
Airservices Australia	0	0	0	2
Australian Rail Track Corporation	0	0	0	0
Civil Aviation Safety Authority	0	0	0	0
Department of Innovation, Industry, Science and Research	0	0	0	1
Australian Research Council	0	0	0	0
Australian Nuclear Science and Technology Organisation	0	0	0	0
Commonwealth Scientific and Industrial Research	0	0	0	1

Entity	2007–08 Rating		2006–07 Rating	
	A	B	A	B
Organisation				
Tourism Australia	0	4	0	0
Department of Parliamentary Services	0	0	0	1
Department of the Prime Minister and Cabinet	0	0	0	0
Department of Climate Change	0	0	N/A	N/A
National Archives of Australia	0	0	0	4
Department of Resources, Energy and Tourism	0	0	N/A	N/A
Department of the Treasury	0	0	0	0
Australian Bureau of Statistics	0	0	0	0
Australian Office of Financial Management	0	0	0	0
Australian Reinsurance Pool Corporation	0	0	0	0
Australian Securities and Investments Commission	0	2	0	0
Australian Taxation Office	1	5	1	6
Reserve Bank of Australia	0	0	0	0
Total	5	72	11	109

Note: N/A: Not applicable

Series Titles

ANAO Audit Report No.1 2008–09

Employment and Management of Locally Engaged Staff

Department of Foreign Affairs and Trade

ANAO Audit Report No.2 2008–09

Tourism Australia

ANAO Audit Report No.3 2008–09

Establishment and Management of the Communications Fund

Department of Broadband, Communications and the Digital Economy

Department of Finance and Deregulation

ANAO Audit Report No.4 2008–09

The Business Partnership Agreement between the Department of Education,

Employment and Workplace Relations (DEEWR) and Centrelink

Department of Broadband, Communications and the Digital Economy

Department of Finance and Deregulation

ANAO Audit Report No.5 2008–09

The Senate Order for Departmental and Agency Contracts (Calendar Year 2007

Compliance)

ANAO Audit Report No.6 2008–09

Illegal, Unreported and Unregulated Fishing in the Southern Ocean

Australian Customs Service

ANAO Audit Report No.7 2008–09

Centrelink's Tip-off System

Centrelink

ANAO Audit Report No.8 2008–09

National Marine Unit

Australian Customs Service

ANAO Report No.9 2008–09

Defence Materiel Organisation—Major Projects Report 2007–08

ANAO Audit Report No.10 2008–09

Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme

Department of Innovation, Industry, Science and Research

ANAO Audit Report No.11 2008–09

Disability Employment Services

Department of Families, Housing, Community Services and Indigenous Affairs

Department of Education, Employment and Workplace Relations

ANAO Audit Report No.12 2008–09
Active After-school Communities Program
Australian Sports Commission

ANAO Audit Report No.13 2008–09
Government Agencies' Management of their Websites
Australian Bureau of Statistics
Department of Agriculture, Fisheries and Forestry
Department of Foreign Affairs and Trade

ANAO Audit Report No.14 2008–09
Audits of the Financial Statements of Australian Government Entities
for the Period Ended 30 June 2008

Current Better Practice Guides

The following Better Practice Guides are available on the Australian National Audit Office Website.

Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Public Sector Internal Audit	
An Investment in Assurance and Business Improvement	Sep 2007
Fairness and Transparency in Purchasing Decisions	
Probity in Australian Government Procurement	Aug 2007
Administering Regulation	Mar 2007
Developing and Managing Contracts	
Getting the Right Outcome, Paying the Right Price	Feb 2007
Implementation of Programme and Policy Initiatives:	
Making implementation matter	Oct 2006
Legal Services Arrangements in Australian Government Agencies	Aug 2006
Preparation of Financial Statements by Public Sector Entities	Apr 2006
Administration of Fringe Benefits Tax	Feb 2006
User-Friendly Forms	
Key Principles and Practices to Effectively Design and Communicate Australian Government Forms	Jan 2006
Public Sector Audit Committees	Feb 2005
Fraud Control in Australian Government Agencies	Aug 2004
Security and Control Update for SAP R/3	June 2004
Better Practice in Annual Performance Reporting	Apr 2004
Management of Scientific Research and Development Projects in Commonwealth Agencies	Dec 2003
Public Sector Governance	July 2003
Goods and Services Tax (GST) Administration	May 2003
Building Capability—A framework for managing learning and development in the APS	Apr 2003
Administration of Grants	May 2002

Performance Information in Portfolio Budget Statements	May 2002
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Commonwealth Agency Energy Management	June 1999
Security and Control for SAP R/3	Oct 1998
Controlling Performance and Outcomes	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997

