



# The Auditor-General

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ANNUAL REPORT 2016–17

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Auditor-General for Australia



23 August 2017

The Honourable Malcolm Turnbull MP  
Prime Minister of Australia  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister,

As the Auditor-General for the Commonwealth of Australia and an independent officer of the Parliament, I am pleased to present my annual report on the operations of the Australian National Audit Office for the year ended 30 June 2017, as required by section 46 of the *Public Governance, Performance and Accountability Act 2013*.

The report includes the Australian National Audit Office's audited financial statements as required by section 43(4) of the *Public Governance, Performance and Accountability Act 2013*.

As required by section 10 of the Public Governance, Performance and Accountability Rule 2014, I certify that:

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

I certify that this report has been prepared in accordance with all applicable obligations under the *Public Governance, Performance and Accountability Act 2013*, the Public Governance, Performance and Accountability Rule 2014, and the *Auditor-General Act 1997*.

Following the tabling of the Auditor-General Annual Report 2016–17, the report will be made available on the Australian National Audit Office's website: [www.anao.gov.au](http://www.anao.gov.au).

Yours sincerely,

Grant Hehir  
Auditor-General

# About this report

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This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ending on 30 June 2017.

The report addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule); the *Auditor-General Act 1997*; the performance measures set out in the outcome and programs framework in the ANAO's 2016–17 Portfolio Budget Statements (PBS) and the ANAO 2016–20 Corporate Plan and annual reporting requirements set out in other relevant legislation.

- ▶ In Part 1 of the report, the Auditor-General reviews the significant issues and achievements of the past year and reflects on the challenges for the year ahead.
- ▶ Part 2 provides an overview of the ANAO's purpose, role, and values; outcomes as set out in the Portfolio Budget Statements; organisation and the organisational structure.
- ▶ Part 3 provides information on the ANAO's governance arrangements and frameworks.
- ▶ Part 4 provides the Annual Performance Statement, which includes a summary of the work undertaken by the ANAO in 2016–17, and the report on financial performance.
- ▶ Part 5 presents the audited financial statements for 2016–17.
- ▶ Part 6 contains the reports appendices.
- ▶ Part 7 contains references to assist the reader to use the report—an abbreviations list, an index showing how reporting requirements are addressed in the main report, and a subject index.

This report and other ANAO publications, as well as information about the ANAO, are available online at [www.anao.gov.au](http://www.anao.gov.au).

To obtain further information about the content of this report, please contact:

Ms. Deborah Rollings  
Senior Executive Director  
Corporate Management Branch  
Australian National Audit Office  
GPO Box 707  
Canberra ACT 2601

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

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# Part 1 — Foreword by the Auditor-General

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## The year in review

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

The ANAO issued auditors' reports on 250 entities' 2015–16 financial statements during 2016–17. All auditors' reports were unmodified. A total of 245 findings were reported to entities as a result of our 2015–16 financial statement audits. These comprised four significant, 32 moderate and 209 minor findings. Five legislative breaches were also reported to entities during 2015–16.

The qualification in the Auditor-General's 2014–15 audit report on the Consolidated Financial Statements (CFS) was not repeated in the 2015–16 audit report. This followed work by the Department of Finance and the Department of Defence to conclude that Defence Weapons Platforms can be reliably measured at fair value in accordance with Australian Accounting Standards.

In the 2015–16 year, the proroguing of the Parliament of Australia on 9 May 2016 along with change processes undertaken within ANAO meant that we did not meet our target to table 49 performance audits. This year, as a result of performance audit reports that were unable to be tabled following the proroguing of the Parliament along with the impact of the prior year's change processes, the ANAO tabled 58 performance audits against our target of 48 audits. The target of 12 audits per quarter, which aims to smooth our tabling program across the year, has been met.

We have expanded our performance audit coverage across more of our mandate, including through: the audit of Government Business Enterprises (GBEs) at the request of the Joint Committee of Public Accounts and Audit (JCPAA); and developing and implementing new audit methodology for undertaking performance audits focussed on efficiency and for the audit of annual Performance Statements.

The 2015–16 Major Projects Report<sup>1</sup>, on Defence equipment acquisition projects, included a qualified Independent Assurance Report relating to progress and performance as reported in the two Project Data Summary Sheets (PDSSs) for the ARH Tiger Helicopters and LHD Landing Craft.

The ANAO has continued to develop our assurance review program which provides the ability to produce more timely reports on issues of contemporary interest to the Parliament. The assurance review *Malabar Headland: 2016 Lease between the Commonwealth of Australia and the New South Wales Rifle Association*<sup>2</sup> was the first such assurance review to be tabled in Parliament.

A key focus of our work remains on providing learning into the sector on the performance management reform agenda including performance audits of corporate plans<sup>3</sup>, risk management and a focus on audit committees in our end-of-year report on financial statements<sup>4</sup>. Through this work, we assisted the Joint Committee of Public Accounts and Audit consider the implementation of the new performance management framework for the sector – work we will continue in the coming years, including on audits of annual performance statements.

The reports tabled in 2016–17 highlighted a number of recurring themes:

- ▶ Getting the basics right - Key to the effective management of public sector entities are systems and frameworks that underpin the integrity of financial and business activity by: providing visibility and oversight of key responsibilities; appropriately engaging with risk; ensuring accountable decision-making; managing staff performance; safeguarding data holdings; and maintaining a focus on quality. The ANAO has identified scope for entities to increase their focus on getting these basics right.
- ▶ Implementing mandatory requirements - The delivery of public sector programs and services are governed by regulatory frameworks set by the Parliament, the Government, public sector regulators and those set out by accountable authorities of public sector entities. The ANAO continues to find that entities' performance in meeting mandatory requirements is mixed.
- ▶ Achieving value for money from public sector procurement - The Australian Government has established a strong framework of rules and supporting guidance for entities undertaking procurement activity. A key focus of the framework is on those factors that must be considered by entities to meet the core requirement of achieving value for money. This is not always a simple matter of lowest cost, but requires the thoughtful consideration of the financial and non-financial costs and benefits associated with a specific procurement. Recent audit findings demonstrate that entities could apply more rigour in

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1 2015-16 Major Projects Report (ANAO Report No. 40 of 2016–17)

2 Assurance Review (ANAO Report No. 62 of 2016–17)

3 Corporate Planning in the Australian Public Sector (ANAO Report No. 54 of 2016–17)

4 Audits of the Financial Statements of Australian Government Entities for the period ended 30 June 2016 (ANAO Report No. 33 of 2016–17)



complying with rules and guidance and could more actively manage procurement through good governance with an eye to outcomes.

- Applying resources and delivering against agreed commitments - As part of the annual Budget process, public sector entities are funded for specific activities according to government priorities. Performance audits in 2016–17 identified weaknesses in entities' monitoring arrangements for new policy proposals, particularly in the context of monitoring savings generated from new compliance measures.
- Knowing what you are trying to achieve and whether you are - A key element of recent public sector reforms has been the establishment of a new performance framework under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and related Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). This framework strengthens the accountabilities of the public sector for measuring and reporting on their performance and introduced system-wide planning and performance reporting requirements for the first time. The ANAO's performance audit coverage over many years has indicated that entities continue to experience challenges in developing performance measures that clearly communicate achievements against stated objectives. The ANAO has also identified issues associated with the accuracy and consistency of performance data.

During 2016–17 the ANAO maintained its focus on increasing the transparency of our operations. In December we began publishing on our website briefings to Parliamentarians and Parliamentary Committees. Engaging with Parliamentarians on our business is an important part of our role and transparency will help to build confidence and knowledge in our activities. This year, to achieve better practice in forward planning, the draft Annual Audit Work Program was published on the ANAO website inviting feedback from the public. We developed and, in May, published the inaugural edition of *Audit Insights*, an informative video that explains the history and mandate of the Auditor-General. We have implemented a new gift and benefits register with improved guidance to our people on accepting or refusing gifts and benefits. This register will be published twice annually. I have also commenced the publication of my expenses twice annually.

The ANAO invests in a number of relationships to support its ability to be a learning organisation through the two-way exchange and sharing of information and practices. This is highlighted through our involvement with Australasian Council of Auditors-General (ACAG) and the Pacific Association of Supreme Audit Institutions (PASAI) and the broader International Association of Supreme Audit Institutions (INTOSAI) network.

During the year we consulted widely with key stakeholders about the future of our better practice guides. The feedback was broadly consistent with the findings of the Independent Review of Whole-of-Government Internal Regulation (Belcher Red Tape Review) that where another entity has, or will be, producing a similar resource and has committed to continue to do so, the ANAO could add more value by monitoring the effectiveness of this resource (and potentially partnering with the entity in its production), whilst ceasing to produce its own

resource. On this basis, the ANAO has decided to discontinue and cease distributing a range of better practice guides, and continue to produce only a small number of guides where existing partnerships are in place with policy owners.

## The year ahead

The ANAO is committed to undertaking its role and achieving its purpose in an operationally sustainable way, by being an organisation that: is independent and responsive; provides value adding audit services; and is confident in the delivery of audit services over future years. Our Annual Audit Work Program was released in July 2017 and outlines the ANAO's strategy and deliverables for the coming year.

Critical to the ANAO's success in delivering on its purpose is the ability to anticipate changes occurring in its operating environment and to effectively respond to these changes through the audit program. Our Corporate Plan articulates some of these environmental changes which may influence our focus and operations. These include: the changes in government service delivery, including the impact of new technology and data collection; the Public Management Reform Agenda; changes in the macro-economic climate and the sustainability of government service.

In 2017–18, the ANAO will continue to position its financial and performance audit program to give focus to recurring issues identified through its prior work. The 2017–18 program will continue to exercise the full range of powers under the Auditor-General's mandate in delivering audits that are impactful through both their examination of contemporary public administration issues and through the clarity with which they deliver their findings.

To complement its financial statements and performance audit work, and its assurance activities, the ANAO continues to explore options to provide its stakeholders, including the Parliament, with additional insights into public sector administration. A specific focus will be the development and publication of materials that draw together key learnings from across the ANAO's suite of activities, with the aim of assisting entities to improve their delivery of programs and services.

As public sector entities generate and manage ever increasing volumes of data the ANAO needs to ensure it responds to challenges in terms of accessing and mining data as part of the audit evidence base. As a result the office continues to develop and implement a strategy to ensure that data analytics is core to audit delivery and is supported by robust methodology, tools and systems.

As our external environment changes the ANAO needs to ensure that it remains relevant and effective. Continuous improvement of staff skills is a key focus and enhances our ability to attract, retain and develop quality people. We also need to continuously update and maintain our business model to ensure we are adapting to the changes in the broader environment and our industry. The ANAO remains alert to global and national changes in the auditing profession and engages with a network of national and international public sector audit

offices and professional bodies, providing the ANAO with the opportunity to collaborate and learn from others. Effectively leveraging these relationships and partnerships can support the methodologies underpinning quality operations and audit services.

Central to the offices' ability to fully deliver on the mandate and assist with improving public administration is the integration of the business units within the ANAO. The office is working towards developing integrated audit practices leveraging skills, data and tools supported by corporate services delivered centrally.

In order for the Parliament, public sector entities and the public to have confidence in the ANAO's audit findings our work must be underpinned by a rigorous quality assurance process. In the next year we will be moving from a quality assurance process that focuses on compliance with relevant auditing standards to one that is based on a clear quality strategy and is better aligned with our risk management framework. This includes exploring options for the delivery of external quality review processes to ensure our systems are robust and stand up to scrutiny.

I commend this report to the Parliament.

A handwritten signature in black ink, reading "Grant Hehir". The signature is fluid and cursive, with the first name "Grant" and last name "Hehir" clearly distinguishable.

Grant Hehir  
Auditor-General



# Part 2—Overview of the ANAO

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## Purpose

The purpose of the ANAO is to drive accountability and transparency in the Australian Government sector through quality evidence based audit services and independent reporting to Parliament, the Executive and the public, with the result of improving public sector performance.

## Role

The Auditor-General is an independent officer of the Australian Parliament whose functions, as set out in the *Auditor-General Act 1997*, include:

- ▶ auditing the financial statements of Commonwealth entities, Commonwealth companies and their subsidiaries;
- ▶ conducting performance audits, assurance reviews or audits of the performance measures, of Commonwealth entities and Commonwealth companies and their subsidiaries, other than a government business enterprises<sup>5</sup>;
- ▶ conducting a performance audit of a Commonwealth partner as described in section 18B of the Act<sup>6</sup>;
- ▶ providing other audit services as required by other legislation or allowed under section 20 of the Act; and
- ▶ reporting directly to Parliament on any matter, or to a Minister on any important matter.

In delivering against this role, the Auditor-General is assisted by the ANAO. The ANAO's work is also governed by auditing standards established by the Auditor-General, which incorporates the standards made by the Auditing and Assurance Standards Board as applied by the auditing profession in Australia. In accordance with these standards, performance audits and financial statements audits are designed to provide a reasonable level of assurance.

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5 Audits of Government Business Enterprises can be undertaken where requested by the Joint Committee of Public Accounts and Audit (JCPAA).

6 Audits of Commonwealth partners that involve a state or territory must be requested by the responsible Minister or the JCPAA.

# Values

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

# Outcomes

The ANAO’s outcome and programs framework is set out in its Portfolio Budget Statements, which sit administratively within the portfolio of the Prime Minister and Cabinet. Part 4 of the annual report describes the ANAO’s performance against the measures set out in its Portfolio Budget Statements and Corporate Plan for 2016–20.

Figure 1 depicts the ANAO’s outcomes and programs framework for 2016–17, which consists of one outcome and two programs. In addition to its two programs, the ANAO administers a special appropriation for the remuneration of the Auditor-General.

**Figure 1. Outcome and programs framework, 2016–17**

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

## Organisation

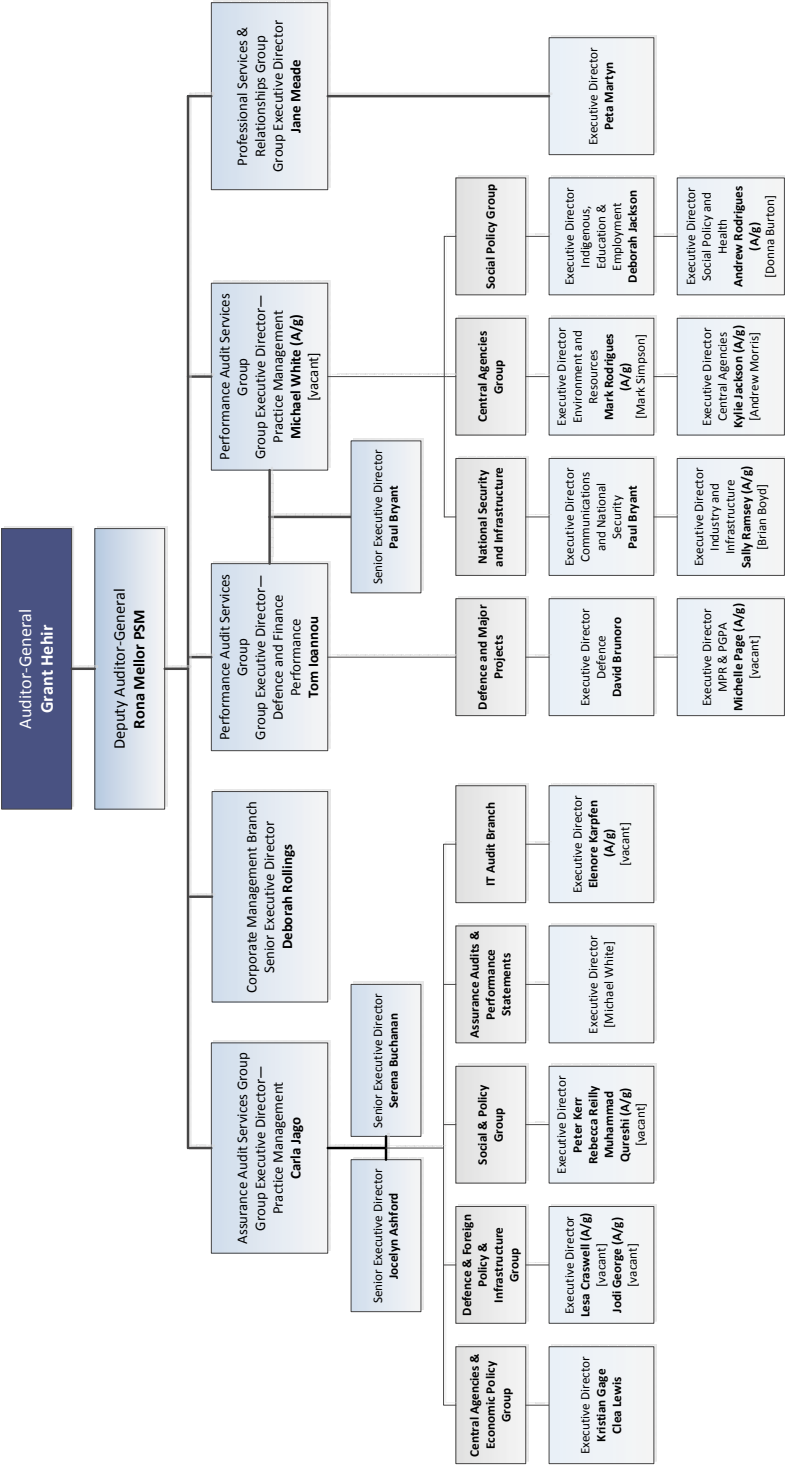
The ANAO is organised into four functional areas:

- ▶ **Assurance Audit Services Group** provides independent assurance on the financial statements and contributes to improved public sector administration and accountability in the financial administration of all Australian Government entities. It also conducts assurance reviews by arrangement with entities and produces financial statement related reports.
- ▶ **Performance Audit Services Group** contributes to improved public sector administration and accountability by conducting performance audits of Australian Government entities, a number of assurance reviews, and producing related publications and reports.
- ▶ **Professional Services and Relationships Group** provide technical accounting, audit and legal advice, and support to the audit services groups and the Auditor-General; establishes, manages and monitors the implementation of the quality assurance framework; and manages the organisations external relations.
- ▶ **Corporate Management Branch** is an enabling branch that provides organisation-wide support services for the ANAO based on specialised knowledge, best practices and technology. Services include: human resource management; financial management; information technology and security; communications (including corporate strategy and change); and accommodation support, which are designed to assist and enable the delivery of our purpose and audit outcomes.

The ANAO is located in Canberra.

The organisational and senior management structure of the ANAO at 30 June 2017 is shown in Figure 2.

Figure 2. Organisational and senior management structure at 30 June 2017





# Part 3—ANAO governance

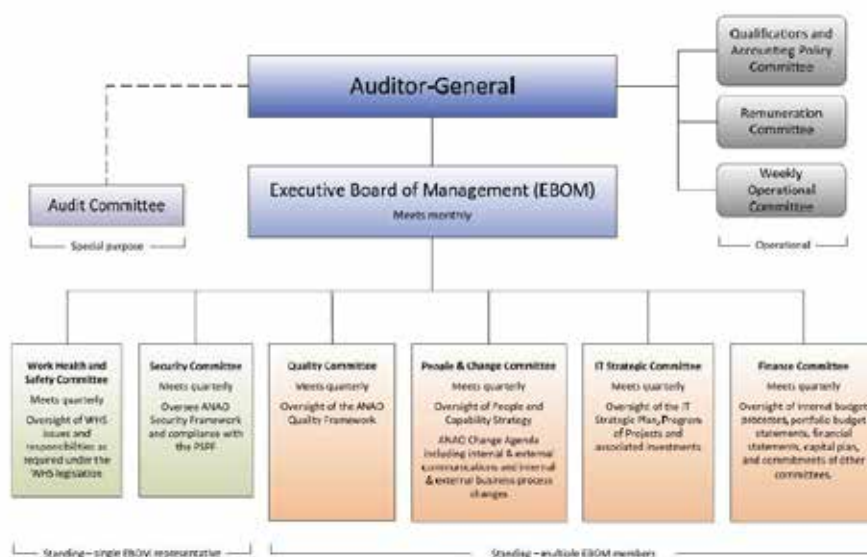
## Governance structure

The ANAO has a structured approach to governance that supports the delivery of the ANAO's purpose and outcome. The ANAO's governance framework sets a clear direction on organisational priorities and how progress is monitored. The framework also provides assurance that management is achieving this direction in an ethical and legal way, and that risks and opportunities are recognised and addressed.

Elements of our corporate governance framework include committees, business planning, risk and fraud management, audit and assurance activities, Auditor-General Instructions, policies and guidelines and staff performance agreements and assessments.

This is outlined in Figure 3.

Figure 3. ANAO governance structure



A special purpose committee is mandated, such as the Audit Committee in compliance with section 45 of the Public Governance, Performance and Accountability Act 2013 and PSPA Rule section 17 – Audit committee for Commonwealth entities.

A standing committee reports to EBOM and is accountable to the board and assists it in carrying out its duties. EBOM may choose to delegate a particular function to a standing committee for oversight.

Operational committees assist the Auditor-General and senior staff in the operations of the organisation.

## Executive Board of Management

The central element of the ANAO's corporate governance structure is the Executive Board of Management, which provides leadership to the ANAO in pursuing and achieving its objectives and strategies outlined in the ANAO's corporate plan and assists the Auditor-General to meet his statutory responsibilities.

The Executive Board of Management is responsible for setting and monitoring the ANAO's strategic directions, overseeing business, identifying strategic and operational risks; managing the ANAO's budget and workforce; and delivering against the commitments and initiatives outlined in its annual business plans. The standing membership for the Executive Board of Management is:

- ▶ Auditor-General (Chair);
- ▶ Deputy Auditor-General;
- ▶ Group Executive Directors, Service Groups;
- ▶ Senior Executive Director, Corporate Management Branch; and
- ▶ Chief Finance Officer.

The Executive Board of Management met 11 times in 2016–17. The members as at 30 June 2017 are outlined at Appendix 1.

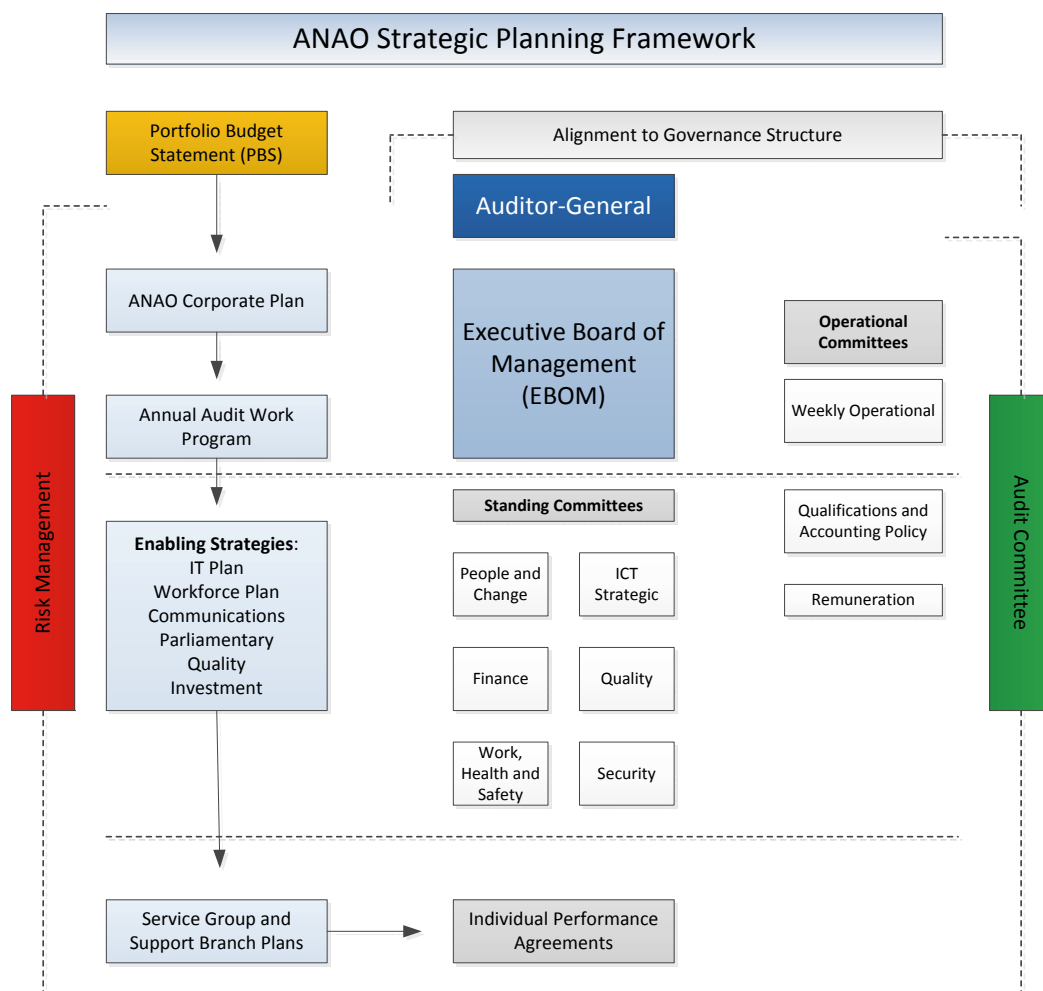
### ***ANAO strategic planning framework***

The ANAO has a framework of policies supported by Auditor-General Instructions, processes and behaviours established to ensure it meets its intended purpose, conforms to legislative and other requirements, and meets expectations of probity, accountability and transparency. Organisational priorities are identified in the ANAO corporate plan and performance is measured and reported in the annual performance statement in the annual report.

The ANAO corporate plan and annual audit work program are key components of the ANAO's strategic planning framework. These documents work together to progress the ANAO's future approach through the focus on audit themes and the articulation of the annual work program that covers the breadth of the Auditor-General's mandate. Risk management and oversight is captured as part of the organisations strategic planning framework and is also supported by the ANAO's fraud control framework.

Key elements of the ANAO's strategic planning framework for 2016–17 are presented in Figure 4.

Figure 4. Strategic planning framework, 2016–20



### ***Risk management framework***

The ANAO's Risk Management Policy and Framework is based on adherence to the International Standard on Risk Management, AS/NZS ISO 31000:2009 Risk Management — Principles and Guidelines. This standard defines risk as *'the effect of uncertainty on objectives'*, which, for the ANAO, is the possibility of an event or activity having an adverse impact to such an extent that it prevents the ANAO from achieving its purpose and outcomes. The ANAO is committed to the effective management of risks and ensuring that sufficient resources are available to manage risks within the organisation. Those allocated responsibility for managing particular risks or being accountable for critical controls must ensure appropriate monitoring

and reporting occurs through the ANAO's existing management reporting and governance framework.

The effective management of risk plays an important role in shaping the ANAO's strategic direction as outlined in the ANAO corporate plan and thereby contributes to evidence-based decision-making and the successful delivery of the ANAO's purpose.

The ANAO takes an integrated approach to managing risk with consideration and management of risk forming part of both our operational and audit work. The treatment of all ANAO risks takes into account the ANAO's risk appetite and tolerances for the type of risk. The ANAO has a low risk appetite when undertaking its core responsibilities. The ANAO's risks to delivery are managed through processes that emphasise the importance of independence, integrity, intelligent inquiry, maintaining high quality, and public accountability.

The Executive Board of Management reviews any serious risk incidents each month, and any risk assessed as 'high' or above is monitored as a standard agenda item. Business risks are reviewed at least annually. There were no serious risk incidents in 2016–17, and all risks with controls in place were assessed as 'medium' or 'low'.

Managing risk effectively is critical to the success of the ANAO in achieving its purpose.

### ***ANAO corporate plan***

The corporate plan is the ANAO's primary strategic planning document and guides the operating environment and sets out how the office will achieve its purpose. The corporate plan is complemented by the ANAO's annual audit work program which reflects the ANAO's strategy and deliverables.

The corporate plan summarises the purpose of the ANAO and the broader environment within which the ANAO expects to operate. It also outlines the planned performance framework including details of the methodology, data and information to be used to measure and assess performance, capability including the plans and strategies to be implemented to achieve its purposes, and an overview of the risk oversight and management systems.

### ***ANAO annual audit work program***

The annual audit work program sets out the ANAO's strategy and deliverables for the coming year. It informs the Parliament, the public and government sector entities of the planned coverage for the Australian Government sector by way of financial statements audits, performance audits and other assurance activities.

The annual audit work program presents information on the financial statements audits and other assurance activities that will be finalised in the coming year. The program also presents information on performance audits in progress and a rolling program of potential performance audits and assurance engagements for each portfolio.

A whole-of-organisation planning process brings together the knowledge and insights gained from the ANAO's financial statements audit work and the program of performance audits to inform the identification of topics for inclusion in each year's program. The development of the annual audit work program also takes into account the views of the Parliament, as presented by the Joint Committee of Public Accounts and Audit (JCPAA), and relevant stakeholders. The ANAO also consults directly with entities subject to financial statements audit coverage and potential performance audit coverage to obtain their views on the program. The release of draft potential performance audit topics on the ANAO's website provides an opportunity for members of the public to provide their views.

### ***Future Ready Change Program***

In 2016, the ANAO introduced the Future Ready Change Program (Future Ready) which is designed to position the ANAO to deliver audit services to the Parliament and the Australian Government sector now and into the future. Future Ready outlines the strategic shifts the ANAO will make to sustainably deliver value-adding audit services into the future and is centred on four key capability areas: new models of audit service delivery; advanced information and communication technology (ICT) strategy and systems; contemporary communication capabilities; and leadership capabilities.

The ANAO is achieving these changes through measures such as: new methodologies for performance statement audits and efficiency audits; increased transparency through publication on our website of briefings to parliamentarians and parliamentary committees; revised Social Media Policy and ANAO Independence Policy; leadership dialogue sessions between the Executive and staff; creating a collaboration space for all staff to trial new ways of working; creating the Ways of Working group to discuss technology, methodologies, and processes used by the ANAO; and organising events which provide access to APS and private sector leaders who inspire new ways of thinking.

## **Executive Board of Management Sub-committees**

To support the Executive Board of Management, standing committees have been established that provide oversight of specific areas of the ANAO's strategies and operations. All standing committees are responsible for identifying and managing risk on an on-going basis.

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

- ▶ People and Change Committee (sub-committees—Diversity Contact Officer Forum and Workplace Consultative Forum);
- ▶ Quality Committee;
- ▶ Finance Committee;
- ▶ IT Strategic Committee;
- ▶ Security Committee; and
- ▶ Work Health and Safety Committee.

The ANAO ensures accountability and transparency through these standing committees reporting to the Executive Board of Management.

### ***People and Change Committee***

The People and Change Committee provide strategic advice to the Executive Board of Management on people and capability development, the Future Ready Change Program, and on managing change in the ANAO. The People and Change Committee monitors strategic and operational risks associated with people and change. The People and Change Committee meet quarterly and also provide oversight to the Diversity Contact Officer Forum and the Workplace Consultative Forum.

During 2016–17, the People and Change Committee's terms of reference were expanded to include more focus on managing change and communication within the office. In 2016–17, this also resulted in the establishment of the Change and Communication section which has responsibility for implementing new internal and external communication processes. To help manage the effect of significant changes on its people throughout the year, the ANAO regularly consulted and informed staff about changes; introduced additional mandatory training courses and brought in speakers through the ANAO Leaders Speaking Program.

### **Our people**

Staff, the ANAO's most valuable resources, are predominately professionals with qualifications, experience and technical capability in the audit sector. At 30 June 2017, the ANAO comprised 336 staff, including 24 Senior Executives. The ANAO staffing profile can be found at Appendix 2.

In 2016–17, the ANAO's attrition rate was challenging for the organisation. Historically, the ANAO experiences a relatively high attrition rate particularly within the Assurance Audit Services Group. The skills, qualifications and experience of audit staff make them attractive to both the public and private sector.

One immediate ANAO response to the attrition rate has been to increase investment in graduate recruitment, with the graduate intake increasing from 19 in 2016 to 28 in 2017. Over the next 12 months the ANAO will also develop an enterprise workforce strategy to address any systemic issues impacting the ANAO's attrition rate.

Each year the ANAO participates in the Australian Public Service Commission's Employee Census. For 2017, the ANAO's response rate to the survey was 84 per cent, up from 72 per cent in 2016. There were a number of positive improvements noted in this year's census results compared to 2016 including those related to: employee engagement; immediate supervisor and senior leadership; inclusion and diversity; workplace culture; and performance.

ANAO staff perceptions were for most workplace factors broadly in line with those of the APS as a whole — these include a focus on goals and consistent processes, confidence in the agency's senior leaders, and staff perceptions of autonomy and security. There were

fewer areas where the ANAO is behind the APS average, including workload management, management of underperformance and innovation. Future areas of focus include:

- ▶ Learning and development — access to learning and development as well as opportunities for secondments and temporary transfers;
- ▶ Innovation — allowing innovation to be encouraged without sacrificing core agency strengths (including efficiency and process consistency);
- ▶ Visibility of senior leaders — staff expressed a perception that SES could be seen more in action; and
- ▶ Ethical standards — there was a lower-than-average agreement in the ANAO that staff understand the processes the agency has in place to deal with corruption.

The ANAO is committed to building a productive and supportive workplace that encourages and engages our employees. Each service group will be holding meetings to discuss the results and to come up with strategies to address issues.

Throughout 2016–17 a new Secondment Policy has been drafted; projects on Ways of Working and Future Ready included questions on innovation; the SES held a series of dialogue sessions with EL and APS staff; training in risk management was provided; and staff were informed of the locations of information on ethical standards (including corruption) and the ANAO's risk management framework.

The Workplace Consultative Forum (WCF) is an important part of the ANAO's ongoing commitment to employee engagement. The WCF has a membership comprising nineteen staff, union and management representatives. In 2016–17, the WCF met on four occasions to discuss and consider a range of employment-related issues, including the new Performance and Career Development Program; a new recognition and awards framework; and the Talent Management Program pilot.

### **Enhancing the capability of our staff**

During 2016–17, the ANAO supported 49 staff members to undertake professional qualifications and tertiary education, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA. The ANAO also invested in a diverse range of programs to build internal capacity, including coaching, technical workshops, well-being and communication skills.

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

- ▶ support to complete 120 hours of CPD over a three-year period, with a minimum of 20 hours to be completed per financial year—this includes 10 hours of formal technical training in relevant areas such as financial statements auditing, accounting or legal frameworks;

- ▶ a written declaration that they have complied with the CPD requirements for each financial year; and
- ▶ evaluation of training undertaken by staff against the learning and development curriculum.

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

The ANAO's graduate program is open to university students who are completing their final year of study or have completed a degree within the past seven years. During the 12-month program, the graduates undertake an intensive learning and development program, including technical, people management and general training and skill development. In 2017, the ANAO's graduate program included 28 graduates: 12 in the Assurance Audit Services Group; 11 in the Performance Audit Services Group; three in the IT Audit Branch and one in the Professional Services and Relationships Group. One graduate worked across both the IT Audit and Corporate Management branches. The ANAO also introduced a certified training program in 2017, the vocational Diploma of Government (APS Graduates) which 16 of the 28 graduates are currently completing.

The ANAO's undergraduate employment program provides paid part time practical work experience to people studying relevant disciplines at universities in Canberra. During 2016–17, 10 students took part. The ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, Chartered Accountants Australia and New Zealand and CPA Australia to recruit students for the program.

This year the ANAO particularly invested in the areas of talent management and diversity. A pilot Talent Management Program commenced with seven ANAO staff. The following processes are currently being assessed by the pilot:

- ▶ an individual capability assessment designed to self-assess the three qualities of potential: ability, engagement and aspiration;
- ▶ a manager capability assessment tool designed to capture the observations of a manager who had worked closely with the individual on their potential through observation of behaviours and outcomes;
- ▶ an online cognitive reasoning test to provide an objective assessment of ability; and
- ▶ a session with an external talent consultant to review the above information and discuss career aspirations.

In 2016–17 the ANAO placed importance on understanding the leadership capabilities of its SES. All SES officers participated in 360-degree performance feedback which identified individual as well as cohort strengths and weaknesses. While there were some general findings, it was decided that the best approach to ongoing leadership development was for each SES officer to identify their individual development plans, incorporating them into their Performance Agreements. Through the year new SES were enrolled in SES induction courses



with the APSC, communicating with influence training was provided and coaches and mentors were identified.

### **Inclusion and diversity**

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

The ANAO seeks to ensure we have better diversity at the executive and senior executive levels. At 30 June, the ANAO's gender profile was 55:45 female to male. This profile is largely consistent at the senior executive level, where the ratio is 52:48 female to male.

The ANAO has Diversity Contact Officers (DCOs) who champion diversity across the ANAO, with a focus on building a positive workplace culture. The DCO cohort provides informal and confidential support to staff that are seeking assistance and guidance on workplace issues, such as harassment and bullying. The DCO Forum met six times during 2016–17 to share information, discuss developments and devise a future program of activities.

The ANAO DCO's host events and supports recognised days to educate and raise awareness among our staff. During 2016–17, sponsored events included RU Ok Day, International Women's Day and Harmony Day. At these events senior leaders from within the ANAO spoke about the theme of the day and reflected upon their own personal experiences.

During 2016–17, the ANAO commenced a review of its diversity and inclusion strategy and related measures and targets. The review commenced with a workshop facilitated by Diversity Council Australia (DCA) and was attended by the DCOs. Following Executive approval, the 2017–20 Diversity and Inclusion Strategy will be released during 2017–18.

At 30 June 2017, the ANAO had two employees (less than one per cent of staff) who self-identified as Indigenous. The ANAO collaborates with other Australian Government agencies so that it can better meet the employment needs of Indigenous Australians. The ANAO participated in the Australian Public Service Commission's Indigenous Pathways recruitment initiatives for Indigenous graduates during 2016–17.

In July 2016 the ANAO NAIDOC committee hosted a week-long program of events to celebrate NAIDOC Week, including a speaking engagement by Stan Grant. Building on the momentum gained from the success of the NAIDOC week program the ANAO took steps in the latter half of 2016 to commence development of an ANAO Reconciliation Action Plan (RAP). This was facilitated through a RAP development workshop in early 2017 hosted by Indigenous consultancy Curijo Pty Ltd consulting. It was attended by staff from across the organisation, giving them the opportunity to contribute to the ANAO's vision of reconciliation.

The ANAO's RAP is currently undergoing assessment by Reconciliation Australia, and will be launched in 2017.

### **ANAO employment arrangements**

The ANAO's employment framework supports strategies in developing and building capability, investing in its staff, flexible working arrangements and appropriate remuneration.

The ANAO's Enterprise Agreement 2016–19 came into effect on 21 April 2016 and covers the terms and conditions of employment at the ANAO, other than terms and conditions applying under a relevant Commonwealth law or implied at common law. The Agreement provides for a two per cent annual pay increase which is funded from within existing and known future agency budget and revenue streams. As at 30 June 2017, 312 non-senior executive staff were engaged under the Agreement, while 24 SES staff were employed under common law contracts.

Employees covered by the ANAO Enterprise Agreement 2016–19 may agree with the Auditor-General to make an individual flexibility arrangement to vary the effect of any of the terms of the Agreement, where the arrangement meets the genuine needs of the employee and the ANAO. During 2016–17, nine staff had individual flexibility arrangements in place. Performance management arrangements also provide for salary advancement and performance bonuses for eligible staff. In 2016–17, staff rated as 'outstanding' were eligible for a bonus of up to 10 per cent of salary. A total of \$0.259 million in performance bonuses was paid to eligible staff (\$0.226 million was paid in 2015–16). Aggregated information on performance pay and a summary of ratings for the reporting is set out in Appendix 2.

The ANAO commenced 2017 with 28 SES staff. During the year, two SES staff were seconded (and remain on secondment) into specialist roles in other Commonwealth agencies. Ten SES staff ceased employment with the ANAO. During the same period SES recruitment resulted in one internal SES Band 2 promotion, three internal SES Band 1 promotions and two SES Band 1 engagements. In addition, a number of our executive level staff were given the opportunity to act in SES roles, providing development and experience in senior management. One SES Band 2 staff member is on deployment through DFAT in Indonesia.

The salary ranges for SES are determined by the ANAO's SES Remuneration Policy (available on the ANAO website) and having regard to public sector benchmarks, such as the annual APS remuneration survey. The nature of the work, specific skills and individual contributions to business outcomes are key factors in setting individual SES salaries. SES remuneration payments are set out under Note 2.3 of the financial statements at Part 5 of this report.

### ***Quality Committee***

The Quality Committee provides assurance and assistance to the Executive Board of Management and the Auditor-General on the ANAO's quality framework and the strategic and operational risks associated with quality. The Quality Committee meets on a quarterly basis. ANAO's performance against the Quality Framework is measured through the ANAO's 2016–20 Corporate Plan and reported in Part 4—Annual Performance Statement.

### **Ethical standards and independence**

The ANAO's commitment to high ethical and professional standards underpins the quality of its work. For audit professionals, professional independence is a central element of the quality of each audit. It is the avoidance of circumstances that could compromise any member of the audit team's capacity to act with integrity and exercise objectivity and professional scepticism.

The ANAO's Independence Policy requires staff and contractors engaged in audits to comply with the relevant provisions of the Accounting Professional & Ethics Standard Board, APES 110 *Code of Ethics for Professional Accountants* relating to independence. Any threat to independence must be evaluated and safeguards applied to reduce the threat to an acceptable level. Situations where a threat cannot be reduced to an acceptable level are not entered into or allowed to continue.

### **Auditor-General's disclosure of expenses**

The Auditor-General voluntarily discloses any expenses he incurs to ensure transparency. His expenses for the 2016 calendar year and for January to June 2017 are available on the ANAO website. The Auditor-General's expenses are updated every six months.

### ***Finance Committee***

The Finance Committee supports and provides advice to the Executive Board of Management on financial matters and monitors strategic and operational risks associated with resources. In particular, the Finance Committee considers and reviews the ANAO's annual and mid-year budgets and any new spending proposals. The Finance Committee also monitors changes in the ANAO financial environment and reviews the annual financial statements and annual performance statement. A summary of the ANAO's financial performance can be found in Part 4—Annual Performance Statement of the Annual Report.

The Finance Committee meets quarterly. At its December 2016 meeting, a revised gifts and benefits policy was considered and recommended to the Executive Board of Management for endorsement.

The new gifts and benefits policy recommends that staff, where possible, do not accept any gifts or benefits in their role as an employee of the ANAO. Any offered gift or benefit (whether accepted or refused) is reported internally, within 10 business days of the offer being made. For transparency, all received gifts and benefits are to be published on the ANAO website in September and March of each year. The change to this policy strengthens our governance

framework that ensures that the ANAO meets public expectations of integrity, accountability, independence, transparency and professionalism. This can only happen if staff are not influenced, or perceived to be influenced by, gifts, benefits or bribes.

### **Fraud control and prevention**

The Finance Committee is responsible for monitoring fraud control and prevention procedures. Consistent with previous years, the ANAO continues to maintain appropriate fraud prevention, detection, investigation, reporting and data collection procedures. The ANAO enhances fraud awareness amongst staff through various mechanisms, including a fraud e-learning module.

The current Fraud Control Plan is linked to the ANAO Risk Management Framework and consolidates all fraud prevention and detection initiatives in one document.

Having particular regard to the risk to the ANAO's reputation should fraudulent activity occur the ANAO periodically reviews its fraud control framework to take into account changes in its operating environment. The Fraud Control Policy, Fraud Risk Assessment and Fraud Control Plan are reviewed annually and published every two years.

There were no incidents of fraud in 2016–17. All fraud risks were assessed and appropriate controls were in place.

### **Compliance with financial law**

In 2016–17, the ANAO had no significant issues under paragraph 19(1) (e) of the PGPA Act, relating to non-compliance with the finance law.

### ***IT Strategic Committee***

The Information Technology Strategic Committee (ITSC) provides assurance and advice to the Executive Board of Management on information technology, business systems strategic directions and investments and monitors associated operational and strategic risks.

The ITSC meets on a quarterly basis and has provided oversight to a number of IT strategic projects designed to support the ANAO's Future Ready Change Program. Projects in 2017 included the shift to virtual servers through the implementation of the Hyper V project and the introduction of the ANAO's unclassified guest wi-fi network. The guest wi-fi network enables ANAO contractors and staff to use their own personal smart device or laptop/tablet to connect to the public internet and as well as accessing the ANAO network using the ANAO remote access solution from their own devices. This project complemented the introduction of the protected wi-fi network in 2016 and encourages workplace mobility for ANAO employees.

The ANAO commenced preparation for the approach to market for ICT outsourced services in 2017–18 as the contract with the current provider expires on 30 June 2018. In February 2017, the ANAO went to market through a request for information process that involved seeking information from the market to assist the ANAO to refine its proposed requirements.

The ANAO participated in 23 workshops with industry providers. This information has assisted the ANAO in preparing the request for tender documentation.

### ***Security Committee***

The Security Committee provides assurance and assistance to the Executive Board of Management and the Auditor-General on the ANAO's security framework and monitors associated strategic and operational risks. The Security Committee meets monthly.

In 2017, the Security Committee has focused on improving the ANAO's compliance against the Australian Government's Protective Security Policy Framework particularly with regard to building the organisation's cyber resilience. This work included undergoing an IRAP<sup>7</sup> assessment which is due to be completed in 2017–18. In addition, the position of IT Security Advisor has been created as a separate position to the Chief Information Officer and reports through to the Senior Executive Director, Corporate Management Branch. Additional representatives from across the service groups and Human Resources have been added to the committee as observers to ensure more robust assessment of the ANAO's security policies, activities and outcomes.

### ***Work Health and Safety Committee***

The ANAO has established the Work Health and Safety Committee to meet the requirements of Section 75 of *Work Health and Safety Act 2011*. Under this section, the person conducting a business or undertaking at a workplace must establish a health and safety committee for the business. In addition, the Work Health and Safety Committee facilitates cooperation between the ANAO and staff in instigating, developing and carrying out measures designed to ensure the workers' health and safety at work.

As a 'person conducting a business or undertaking' under the *Work Health and Safety Act 2011*, the ANAO has a primary duty of care to ensure the health and safety of workers. The Auditor-General and all ANAO officers are accountable for work health and safety (WHS) outcomes and the actions taken to implement WHS policies and guidelines.

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

The Work Health and Safety Committee is responsible for monitoring and reviewing the WHS policies and practices and advising the ANAO on WHS matters. The committee is chaired by the Senior Executive Director, Corporate Management Branch, and its members are the ANAO's health and safety representatives. The WHS committee meet quarterly and met four times during 2016–17.

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<sup>7</sup> IRAP stands for Information Security Registered Assessors Program. This program is governed and administered by the Australian Signals Directorate.

During 2016–17, the ANAO provided health and wellbeing workshops to all staff on topics such as resilience, healthy lifestyles and work-life balance. The ANAO also provided ongoing support by offering ergonomic work station assessments to all staff and new starters, with 62 ergonomic work station assessments completed throughout 2016–17.

The Employee Assistance Program provides access to free confidential professional counselling services to assist staff and their families with any personal or work-related problems, and offers guidance and advice to managers on staff management.

### ***Operational committees convened by the Auditor-General***

The ANAO operates in a contestable environment, and is committed to maintaining a business model that has quality at its foundation and reflects contemporary better practices and delivers strong performance. There are two operational committees which are independent from the Executive Board of Management:

- ▶ Remuneration Committee — advises the Auditor-General on processes to support changes in remuneration and performance payments. The Committee meets on an ad-hoc basis as required; and
- ▶ Qualifications and Accounting Policy Committee — convenes on an ad-hoc basis to consider and advise the Auditor-General on certain difficult or contentious audit matters and, where necessary, deals with and resolves internal differences of opinion.

## **External and internal scrutiny**

### **External scrutiny**

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

The JCPAA is required to review all reports that the Auditor-General tables in the Parliament and to report the results of its deliberations to both houses of Parliament. Officers of the ANAO attend private briefings and public hearings as part of the JCPAA's review of audit reports. The JCPAA conducted 10 inquiries throughout 2016–17, resulting in the tabling of three reports on its review of the Auditor-General's reports. An outline of these reviews is provided at Appendix 3.

The ANAO was also invited to appear before a number of other Parliamentary committees throughout 2016–17 including the Senate Economics References Committee for the inquiry into the impact of non-payment of Superannuation Guarantee, the Senate Finance and Public Administrations Committee's Additional Estimates Hearing — Indigenous Matters and the Senate Foreign Affairs, Defence and Trade References Committee hearing for the Inquiry into Department of Defence's management of credit and other transaction cards.

Part 7 of the *Auditor-General Act 1997* provides for the appointment of an independent auditor who undertakes the audit of the ANAO's financial statements and carries out selected performance audits. The independent auditor position is a part-time statutory appointment for a period of at least three years and not more than five years. The current Independent Auditor is Mr Peter van Dongen, who was appointed as the independent auditor in June 2014.

In 2016–17, the independent auditor commenced a performance audit of the ANAO's cyber security processes. A report on the outcomes from this performance audit is expected to be tabled in the first quarter of 2018. The ANAO received an unmodified auditor's report on its financial statements for the year ended 30 June 2017.

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had or may have a significant effect on the operations of the ANAO in 2016–17. The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2016–17.

## Audit Committee

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

The Audit Committee met six times in 2016–17. In order to maximise the assurance provided by the Audit Committee the ANAO only appoints external independent members. During 2016–17, its membership comprised:

- ▶ Mr Will Laurie (Chair), external independent member;
- ▶ Mr Sean Van Gorp, external independent member; and
- ▶ Dr Ian Watt AC, external independent member. Dr Watts' membership term ended after his attendance at the June 2017 committee meeting.

A third external independent member, with appropriate qualifications, knowledge, skills and experience to assist the committee to perform its functions, Ms Maria Storti, was appointed to replace Dr Watt in August 2017.

## Internal audit

Internal audit provides an objective audit and advisory service which is designed to add value and improve the ANAO's operations. A systematic and disciplined approach is taken to evaluate and improve the effectiveness of risk management, control and governance processes. In 2016–17, the ANAO's internal auditor, Protiviti, completed the following reviews:

- ▶ Work health and safety;
- ▶ Organisational performance;
- ▶ Change management;
- ▶ Credit card usage and travel arrangements;
- ▶ IT service provider contract; and
- ▶ Efficiency audit of Performance Audit Services Group.

Following an open approach to market, BellchambersBarrett commenced as the ANAO's internal auditor in April 2017 and completed the following review in the reporting period:

- ▶ Procurement and contract management.

The seven completed internal audits made thirty recommendations in total. At the June 2017 audit committee meeting there were five outstanding internal audit recommendations that had work in progress to address the recommendations. For all of the outstanding recommendations, the implementation had not been achieved within the anticipated completion date.

## Other management issues

The management activities and services that support the ANAO's audit functions are undertaken in line with government policies and better practice. Reporting against the following activities is provided at Appendix 4:

- ▶ assets management;
- ▶ purchasing and procurement;
- ▶ consultants;
- ▶ procurement activities to support small business;
- ▶ advertising and market research;
- ▶ grant programs;
- ▶ environmental protection and biodiversity conservation;
- ▶ disability reporting;
- ▶ freedom of information; and
- ▶ service charter.



# Part 4—Report on performance

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## Annual performance statement

As the accountable authority of the Australian National Audit Office, I present the 2016–17 annual performance statement of the Australian National Audit Office, as required under paragraphs 39(1)(a) and 39(1)(b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act); and section 16F of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule). In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the performance of the entity for the reporting period, and comply with subsection 39(2) of the PGPA Act.



Grant Hehir  
Auditor-General  
18 August 2017

## Purpose

The purpose of the ANAO is to improve public sector performance and support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, the Executive and the public (Outcome 1).

The ANAO seeks to achieve its purpose through its audit services, which includes:

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

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

with section 20 of the *Auditor-General Act*. An assurance review of defence major projects is also undertaken annually.

The ANAO's performance audit activities involve the audit of all or part of an entity's operations to assess its efficiency or administrative effectiveness. The ANAO identifies areas where improvements can be made to aspects of public administration and makes specific recommendations to assist public sector entities to improve their program management.

## Analysis of performance against purpose

The ANAO's Annual Audit Work Program 2016–17 outlined the office's focus on: influencing more timely delivery of annual reports and enhancing accessibility of financial statements audit opinions; the delivery of performance audit activity across the full scope of the Auditor-General's mandate; and performance audit coverage across the full spectrum of public sector activity.

Over the course of the year, the ANAO actively engaged with public sector entities to influence more timely delivery of annual reports, including audited financial statements, through advice and support regarding the transition to tiered reporting and simplified financial statements that assist in the readability and transparency of financial information. In relation to the 2015–16 financial year, 96 per cent of entities had signed their financial statements and the associated auditor's report issued within four months of the end of the year, compared to 90 per cent in the prior year. The ANAO also identified that 86 per cent of entities had adopted the Department of Finance's streamlined template to prepare their financial statements making them more concise and easy to read. In addition, the ANAO redesigned the style and format of its financial statements audit reports to enhance accessibility.

In the delivery of its performance audit program in 2016–17, the ANAO broadened its coverage of public sector entities, with audits commencing in four government business enterprises (following requests from the Joint Committee of Public Accounts and Audit) along with existing audit coverage of corporate and non-corporate Commonwealth entities. The ANAO expanded its coverage of key focus areas (economy, efficiency, effectiveness, ethics), with two audits of entity-level efficiency and efficiency considerations being incorporated into its continuing focus on the effectiveness of program implementation and service delivery. The ANAO has directed audit effort earlier in the implementation phase of programs, with audits specifically examining design considerations—including the quality of advice provided by entities to government to inform its decision-making. To complement this performance audit coverage, the ANAO has also delivered four assurance reviews over the course of the year—two were undertaken as part of performance audits and two were undertaken as stand-alone reviews (with one of these reviews tabled in the Parliament). Additional assurance work was undertaken in respect of the administration of corporate credit and travel cards as part of a financial statements audit.

Through delivery of its annual audit work program, the ANAO continues to play an important role in advising the Parliament, through the JCPAA, on the implementation of reforms to the

resource management framework following the introduction of the PGPA Act. A key aspect of this role has included an examination of the effectiveness of corporate planning, performance reporting and risk management in the public sector. Along with the examination of new areas of public administration, a continuing role for the ANAO is reviewing entities' implementation of recommendations arising from earlier audits, with five follow-up performance audits undertaken during the year.

## Performance results

The ANAO measures its performance against its purpose using a range of performance criteria, which were outlined in the ANAO's 2016–20 Corporate Plan and 2016–17 Portfolio Budget Statements. These criteria include deliverables that assist the ANAO with assessing the value created by its activities and performance measures that help with assessing the value added for the Parliament, the Executive and the public.

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### *Program 1.1 – Assurance Audit Services*

The ANAO's Assurance Audit Services Group provides independent assurance on the financial statements of all Australian Government entities and contributes to improvements in the financial administration of Australian Government entities. The independent reporting to the Parliament on this activity supports accountability and transparency in the Australian Government sector and directly contributes to the ANAO's achievement of its purpose.

This program contributes to the ANAO's outcome by: providing assurance on the fair presentation of financial statements of the Australian Government and its controlled entities by providing independent audit opinions and related reports for the information of the Parliament, the Executive and the public; contributing to improvements in the financial administration of Australian Government entities; and contributing to the auditing profession and public sector developments nationally and internationally.

### **Performance measures**

To assess its performance against its purpose in relation to assurance audit activities, the ANAO measures the number of: financial statements audit opinions issued; other assurance reports produced; and financial statements related reports produced. The ANAO also measures the percentage of recommendations agreed by audited entities.

Criterion 1      Number of financial statement audit opinions issued; and Percentage of Australian Government entities provided an audit opinion for tabling in Parliament.	
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of: <ul style="list-style-type: none"> <li>▶ <b>250</b> against a target of 250; and</li> <li>▶ <b>99 per cent</b> against a target of 100 per cent for entities provided with an audit opinion for tabling in Parliament.</li> </ul>

The number of financial statement audit opinions issued is a key measure of ANAO core business in achieving its purpose. Financial statement audit opinions provide assurance to the Parliament that the financial statements of the entity comply with Australian Accounting Standards and other reporting requirements (such as the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015) and present fairly the entity's financial position and its financial performance and cash flows for the period. The target of 250 reflects the expected number of entities that would require an audit opinion on financial statements for the year ended 30 June 2016.<sup>8</sup>

During the 2016–17 financial year, the ANAO completed 250 mandated<sup>9</sup> financial statements audits for the year ended 30 June 2016. This included the Consolidated Financial Statements (CFS) of the Australian Government. All entities that provided the ANAO with a set of financial statements for audit received an audit opinion for tabling in Parliament. At the time of tabling this annual report, the Corporations and Markets Advisory Committee had not presented financial statements for the years ended 30 June 2015 or 30 June 2016.

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

- ▶ an 'Emphasis of Matter' paragraph, which draws the reader's attention to matters disclosed in the financial statements that, in the auditor's judgement, are of fundamental importance to the understanding of the financial statements; and

8 The actual number varies from year to year due to the establishment or abolition of entities by the Government and the Parliament. For the 2015–16 financial statements, there were 252 entities that required an audit opinion. As noted at Table 1, the ANAO provided 250 of 252 (99.2 per cent) of these opinions—with one entity, the Corporations and Markets Advisory Committee (CAMAC), not having signed financial statements.

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

- a 'Report on Other Legal and Regulatory Requirements', which addresses additional responsibilities supplementary to the auditor's reporting responsibilities for the financial statements.

The need to modify an audit opinion can arise for a number of reasons, including material misstatement of the final balances or insufficient appropriate audit evidence to enable the Auditor-General to form an opinion. Auditing standards establish three types of modified opinions, namely a qualified opinion, an adverse opinion and a disclaimer opinion.

As shown in Table 1, 250 unmodified financial statements auditor's reports were issued during 2016–17.

**Table 1.** Summary of auditor's reports on mandatory financial statements audits for the 2014–15 and 2015–16 financial years, issued in 2015–16 and 2016–17 respectively

	Auditor's reports for financial year ended	
	30 June 2016 (issued in 2016–17)	30 June 2015 (issued in 2015–16)
Unmodified auditor's reports issued	250	254
• including an Emphasis of Matter paragraph	0	12
• including a Report on Other Legal and Regulatory Requirements	0	0
Modified auditor's reports issued <sup>a</sup>	0	1
<b>Total reports</b>	<b>250</b>	<b>255</b>
Reports outstanding <sup>b</sup>	2	1
<b>Total reports</b>	<b>252</b>	<b>256</b>

Note a: In 2014–15 there was one modified auditor's report issued concerning the Consolidated Financial Statements of the Australian Government.

Note b: At the time of tabling this annual report, the Corporations and Markets Advisory Committee did not have completed financial statements for the years ended 30 June 2015 or 30 June 2016.

Criterion 2	Number of other assurance reports produced.
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of <b>47</b> against a target of 45.

In addition to the conduct of mandated financial statements audits, the ANAO undertakes other assurance activities by arrangement with audited entities to support accountability and

transparency in the Australian Government sector. In 2016–17, the ANAO completed 47 other assurance activities.

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

One large assurance activity undertaken each year by the ANAO is the *priority assurance review* of major defence equipment acquisition projects, which is reported on in the ANAO’s Major Projects Report.

The 2015–16 Major Projects Report, which reported on 26 Major Projects, was tabled in February 2017. The Auditor-General provided a qualified Independent Assurance Report relating to progress and performance as reported in the two Project Data Summary Sheets (PDSSs) for the ARH Tiger Helicopters and LHD Landing Craft. This was the ninth annual Major Projects report to the Parliament. It built on previous reports, further enabling longitudinal analysis, and identified that: all projects continued to operate within their total approved budget; delivering Major Projects on schedule remained an ongoing challenge; and the presentation of Defence capability information had an element of uncertainty.

Criterion 3      Number of financial statements related reports produced.	
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.1, p.87
Result	Achieved a result of <b>3</b> against a target of 2.

The Auditor-General presents insights and findings from the outcomes of the financial statement audits of Australian government entities and the Consolidated Financial Statements (CFS) of the Australian Government through independent reports to the Parliament. The reports support accountability and transparency in the Australian Government sector and provide Parliament an independent examination of the financial accounting and reporting of public sector entities.

- Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the Year Ending 30 June 2016 was tabled in August 2016. This report focused on the results of the interim audit phase, including an assessment of entities’ key internal controls, of the 2015–16 financial statements audits of 21 departments and other major General Government Sector (GGS) entities. The Auditor-General was due to present the second financial statement report for tabling in the Parliament in June 2016. Due to the

proroguing of the Parliament of Australia on 9 May 2016, the Auditor-General was unable to present this report to the Parliament before the end of the 2015–16 financial year.

- ▶ *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2016* was tabled in January 2017. This report complemented the interim phase report published in August 2016, and provided a summary of the final results of the audits of the Consolidated Financial Statements for the Australian Government and the financial statements of Australian Government entities.
- ▶ *Interim Report on Key Financial Controls of Major Entities* was tabled in June 2017. This report focused on the results of the interim audit phase, including an assessment of entities' key internal controls, of the 2016–17 financial statements audits of 25 entities including all departments of state and a number of major Australian government entities.

Criterion 4	Percentage of recommendations included in audit reports agreed by audited entities.
Source	ANAO Corporate Plan 2016–20
Result	Achieved a result of <b>100 per cent</b> against a target of 90 per cent.

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

The audit findings and recommendations are reported using a rating scale whereby significant and moderate risk issues are reported individually to the audited entities, the Minister and the Parliament. Lower risk issues are also reported individually to each entity, and in aggregate in the ANAO's reports to Parliament. All audit findings and recommendations are followed up as part of the audit of the following year's financial statements.

Criterion 5	<p><b>Percentage of Australian Government entities that acknowledge:</b></p> <ul style="list-style-type: none"> <li>▶ the value added by ANAO services;</li> <li>▶ ANAO staff had the professional skills and understanding of their organisation required to conduct the audit; and</li> <li>▶ ANAO staff knowledge of their entities' business and operating context is improving year on year.</li> </ul>
Source	<p>ANAO Corporate Plan 2016–20</p> <p>2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p.87 and p. 89</p>
Result	<p>Achieved a result of:</p> <ul style="list-style-type: none"> <li>▶ <b>91 per cent</b> against a target of 90 per cent for the value added by ANAO services;</li> <li>▶ <b>95 per cent</b> against a target of 90 per cent for ANAO staff had the professional skills and understanding of their organisation required to conduct the audit; and</li> <li>▶ <b>60 per cent</b> against a target of 90 per cent for ANAO staff knowledge of their entities' business and operating context is improving year on year.</li> </ul>

The ANAO conducts an annual survey to gain feedback from entities on the conduct of the audit of their financial statements for the previous financial year. This measure assists the ANAO with determining how entities view our performance against our purpose. The 2016–17 report on the conduct of the audit of 2015–16 financial statements presented the views of 144 entities (a response rate of 81 per cent, equivalent to that of the previous year).

The Auditing Standards, supported by the ANAO's Quality Framework, expect that auditors understand the entity being audited. The ANAO sought entities' views on whether ANAO staff had the professional skills and understanding of their organisation required to conduct the audit and whether there was an improvement in their knowledge of the entity's business and operating context year on year. The ANAO needs to balance continuity of staff on audit portfolios from year to year (to build on the knowledge of an entity's operations) with the need to maintain independence and follow auditing standards on the regular rotation of auditors. The percentage of entities acknowledging that ANAO staff improve their knowledge of an entity from year to year was lower (60 per cent) than the target. As 95 per cent of respondents believed that 'ANAO staff had the required understanding and skills to perform their audits', underperformance on this target is unlikely to have negatively impacted on the achievement of the ANAO's purpose.



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### ***Program 1.2 – Performance Audit Services***

The ANAO's performance audit activities involve audits of all or part of an entity's operations and result in independent reports to the Parliament, which contribute to the ANAO's achievement of its purpose to improve public sector administration.

In 2016–17, the ANAO continued to place emphasis on the economy and efficiency in which entities manage and use public resources, reflecting the full scope of the Auditor-General's mandate. During the year the ANAO developed a methodology and associated guidance for examining efficiency themes in a performance audit.

In 2016–17, the ANAO also continued to broaden its coverage to focus on corporate entities and GBEs—noting that the Auditor-General is constrained in self-initiating audits of GBEs and of Commonwealth partners that involve a state or territory. In 2016–17, the ANAO commenced four audits of GBEs.<sup>10</sup>

The ANAO reports to the Parliament on areas where improvements can be made to aspects of public administration, and makes specific recommendations to assist public sector entities to improve performance. Performance audits may also involve multiple entities and examine common aspects of administration, or the joint administration of a program or service. In 2016–17, 24 (or 40 per cent of performance audits) involved multiple entities and covered topics such as program management, information security and financial management.

In response to ongoing parliamentary interest in entities' implementation of ANAO audit recommendations, the annual audit work program includes a selection of audits that will examine an entity's progress in implementing recommendations arising from a previous performance audit.

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To assess performance against purpose in relation to performance audit activities, the ANAO measures the number of: performance audits presented and/or produced; audit reports every quarter; and better practice guides and other reports produced.

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10 *Australia Post Efficiency of Delivering Reserved Letter Services; Australian Rail Track Corporation Management of the Inland Rail Pre-construction Program; Moorebank Intermodal Company Limited Delivery of the Moorebank Intermodal Terminal; and National Broadband Network Administration of the National Broadband Network Satellite Support Scheme.*

Criterion 6 Number of performance audit reports presented.	
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of <b>58<sup>a</sup></b> against a target of 48.

Note a: This number separately counts two performance audits that were undertaken during the year, Administration of ABSTUDY and Administration of Youth Allowance, which were then combined and tabled as one report, Report No.51 *Administration of Youth Allowance (Student) and ABSTUDY*.

In 2015–16, the Auditor-General presented 35 performance audit reports prior to the proroguing of the Parliament of Australia on 9 May 2016. This affected the number of reports presented to Parliament, as the Auditor-General was unable to present performance audit reports during the period 9 May 2016 to 30 June 2016. Other factors also impacted on the ANAO’s tabling program during this period including: significant changes to the management structure and business processes in the Performance Audit Services Group, changes to the performance audit report design and structure and a drive to improve and balance the annual tabling program.

In 2016–17, the Auditor-General produced 58 performance audits reports for the information of the Parliament against a target of 48 for this period. Although this number included performance audit reports that were unable to be tabled following the dissolution of the Parliament of Australia by the Governor-General on 9 May 2016, this result was also achieved through improved business processes that began in 2015–16 within the Performance Audit Services Group. These improved processes include: greater collaboration across all service groups across the office, changes to the format and structure of the performance audit reports, successfully revised audit review processes and streamlined publications processes. These improvements culminated in a decrease in the average cost to undertake a performance audit and in the time taken to complete these reports. These improvements are shown in Table 2.

**Table 2.** Number, cost and duration of tabled performance audit reports, 2015–16 to 2016–17

Year	Number of performance audits		Time taken to complete reports (months)		Cost per report (\$'000) <sup>a</sup>	
	Target	Result	Average	Range	Average	Range
2016–17	48	58	10.6	5.2–22	468	102–1500
2015–16	49	35 <sup>b</sup>	11.6	6.9–18.6	526	230–767

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

Note b: The reduced number of performance audits presented to the Parliament was affected by the double dissolution of the Parliament of Australia on 9 May 2016 and the significant changes to the Performance Audit Services Group business processes.

**Criterion 7      Number of audit reports every quarter.**

Source	ANAO Corporate Plan 2016–20
Result	Achieved the target of 12 reports tabled each quarter.

Performance audits tabled in 2016–17 involved 48 entities and covered a range of areas of public administration, including: procurement, contract management, service delivery, regulation, and grants administration.

Given the number of entities subject to a performance audit, a key focus for the ANAO in 2016–17 was to achieve an even distribution of performance audits across the calendar year in order to give the Parliament an opportunity to review these reports. Table 3 shows how this target has been achieved for each quarter in 2016–17.

**Table 3. Performance audit reports produced by quarter, 2016–17**

2016–17 quarter	Number of performance audit reports tabled
July to September 2016	18 <sup>a</sup>
October to December 2016	12
January to March 2017	12
April to June 2017	16
Total performance audit reports tabled	58

Note a: The ANAO tabled 13 performance audit reports between 31 August 2016 and 1 September 2016, following the commencement of the 45th Parliament of Australia on 30 August 2016.

**Criterion 8      Number of new or revised Better Practice Guides and other reports produced**

Source	ANAO Corporate Plan 2016–20
	2016–17 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of 2 against a target of 3.

In addition to performance audits and financial statements audits, the Auditor-General undertakes other assurance activities. These can consist of reviews undertaken by agreement with an entity either at their request, or in response to requests from ministers or parliamentary committees, or at the discretion of the Auditor-General.

## ***Better practice guides***

In August 2015, the Independent Review of Whole-of-Government Internal Regulation—Report to Secretaries Committee on Transformation Volume 1 Recommendations was released. This report is commonly known as the ‘Belcher Red Tape Review’. The Belcher Red Tape Review recommended that ‘the ANAO take the opportunity, where regulators and policy owners have developed or are developing policy guidance material, to review whether there is a continuing need for it to develop, release and maintain its own separate guidance’.<sup>11</sup>

During 2016–17, the ANAO conducted a review of its role in the continuing development of better practice guides in consultation with the JCPAA and Commonwealth agencies, including their internal audit committees. Pending the outcomes of this process, better practice guides were not reviewed or re-issued. Feedback from the consultation process was that where another entity has, or will be, producing a similar resource and has committed to continue to do so, the ANAO could add more value by monitoring the effectiveness of the resource whilst ceasing to produce its own resource. On this basis, the ANAO will discontinue and cease distributing most of its better practice guides.

The ANAO is retaining three of its 17 better practice guides and these are available on the ANAO website:

- ▶ Successful Implementation of Policy Initiatives;
- ▶ Public Sector Audit Committees; and
- ▶ Public Sector Governance.

The ANAO will undertake new ways of sharing insights to keep the JCPAA and Parliament informed.

## ***Other reports***

Assurance reviews are conducted under section 19A(1) of the *Auditor-General Act 1997* and in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information*, issued by the Australian Auditing and Assurance Standards Board, which forms part of the ANAO Auditing Standards. In 2016–17, the Auditor-General produced two standalone reports arising from the conduct of limited assurance reviews:

- ▶ Parakeelia’s provision of ‘Feedback’ software to Liberal Party Members of Parliament—a limited scope assurance review; and
- ▶ *Malabar Headland: 2016 Lease between the Commonwealth of Australia and the New South Wales Rifle Association*—a limited assurance review that piloted a methodology under ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Information.

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11 *Independent Review of Whole-of-Government Internal Regulation—Report to Secretaries Committee on Transformation Volume 1 Recommendations*, Barbara Belcher, August 2015, p. 17.

The assurance review pilot supports the ANAO's focus on delivering a mix of audit activities and provides the ANAO with the ability to produce more timely reports on issues of contemporary interest to the Parliament. Following the completion of the pilot, in 2017–18 the ANAO will finalise its methodology for limited assurance reviews and integrate these reviews into its annual work program.

Other limited assurance reviews were conducted as part of additional work to audits undertaken in 2016–17. These reports included:

- ▶ ANAO Report No. 7 2016–17 *Interim Phase of the Audits of the Financial Statements of Major General Government Sector Entities for the year ending 30 June 2016*— the ANAO conducted assurance work in relation to the administration of corporate credit cards and travel cards within AirServices. This assurance work was conducted concurrently with performance audit, ANAO Report No. 46 2016–17 *Conduct of the OneSKY Tender*<sup>12</sup>; and
- ▶ ANAO Report No. 29 2016–17 *Design and Implementation of Defence's Base Services Contracts*—this report included a performance review (negative assurance) of the Base Services procurement process.

Criterion 9 Conduct Annual Performance Statements audits	
Source	ANAO Corporate Plan 2016–20
Result	Achieved a result of <b>2</b> against a target of 2.

The Auditor-General's responsibilities, as set out in the *Auditor-General Act 1997*, include auditing the annual performance statements of Commonwealth entities. The *Auditor-General Act 1997* constrains the Auditor-General's independence in conducting an audit of the annual performance statements of Commonwealth entities unless requested by either the Minister for Finance or the responsible minister (this means that the Parliament does not receive assurance, as a matter of course, on performance statements included in annual reports as it does over financial statements where an independent audit report is mandatory).

Over the course of 2016–17, the ANAO maintained its focus on the implementation of the enhanced Commonwealth performance framework, with audits examining entities' preparation of corporate plans<sup>13</sup> and entities' preparation of annual performance statements.<sup>14</sup>

The performance audit on the annual performance statements provides the basis for a methodology for a future program of annual audits of Commonwealth entities' performance

12 Under the OneSKY Australia Program, AirServices is the lead agency for the joint procurement of a Civil Military Air Traffic Management System (CMATS).

13 ANAO Report No. 54 2016–17 *Corporate Planning in the Australian Public Service*.

14 ANAO Report No. 58 2016–17 *Implementation of the Annual Performance Statements Requirements 2015–16*.

statements. As such, the ANAO is developing and refining this methodology as part of a follow-on multiple-entity audit, which is outlined in the ANAO’s 2017–18 Annual Audit Work Program.

Criterion 10	Percentage of recommendations included in audit reports agreed by audited entities
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of <b>92 per cent</b> against a target of 90 per cent.

In order to continue to improve the support the ANAO provides to parliamentarians, the ANAO has placed greater emphasis on examining the extent to which intended outcomes are being achieved. The ANAO’s senior staff will continue to monitor entities’ implementation of performance audit recommendations by attending entity audit committees, and including in its annual work program audits that will examine an entity’s progress in implementing ANAO recommendations.

The ANAO’s performance audits make recommendations to improve administration, accountability and service delivery in audited entities. Throughout a performance audit the ANAO keeps entities informed of findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations and can contribute to their development. This approach has resulted in a consistently high percentage of entities agreeing to ANAO recommendations. Table 4 provides details of this.

**Table 4.** Agreement to recommendations in performance audit reports, 2015–16 to 2016–17

Year	Recommendations (no.)	Recommendations fully agreed (%)	Recommendations agreed with qualification (%)	Recommendations not agreed (%)
2016–17	99	92	4	3
2015–16	103	94	6	0

Where an entity has agreed to a recommendation, implementation should be timely and in line with the recommendation’s intended outcome in order to achieve the benefits envisaged. In 2016–17, entities’ implementation of recommendations, and the broader achievement of improved administration of government entities, remained a focus for the JCPAA. The

ANAO also conducts follow-up audits to assess how effectively an entity has implemented ANAO recommendations from a previous audit. In 2016–17, the ANAO conducted five follow-up audits.<sup>15</sup>

<b>Criterion 11</b>	<b>Percentage of Australian Government entities that acknowledge:</b> <ul style="list-style-type: none"> <li>▶ the value added by ANAO services; and</li> <li>▶ ANAO staff had the professional skills and understanding of their organisation required to conduct the audit.</li> </ul>
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p.87 and p. 89
Result	Achieved a result of: <ul style="list-style-type: none"> <li>▶ <b>83 per cent</b> against a target of 90 per cent for the value added by ANAO services; and</li> <li>▶ <b>80 per cent</b> against a target of 90 per cent for ANAO staff had the professional skills and understanding of their organisation required to conduct the audit.</li> </ul>

Each year, in order to assess entity views on the impact of performance audits, the ANAO seeks feedback by means of a survey and, where agreed, an interview with the responsible manager of the audited entity. The survey is undertaken by an external provider engaged by the ANAO.

Key matters on which feedback is sought include: the audit process; audit reporting; and the value of the ANAO's performance audit services more generally. The response rate from audited entities surveyed for the 2016–17 reporting period was 62 per cent, compared to a 79 per cent response rate in 2015–16. The ANAO is examining the reasons for not achieving targets relating to stakeholder perceptions of value added from ANAO services and ANAO staff skills and understanding of audited entities.

In 2015–16, significant changes were made to the design of performance audit reports in order to make the reports more accessible and easier to read. These changes included presenting clearer and more concise audit conclusions and shortening the overall length of the reports.

In 2016–17, additional feedback was sought from entities regarding the changes to performance audit report design and structure introduced in 2015–16. The changes sought to make performance audit reports more accessible. The results are outlined in Table 5.

15 *Australian Taxation Office's Implementation of Recommendations*; the Department of Health Administration of the Fifth Community Pharmacy Agreement: Follow-on Audit; multiple entity Cybersecurity Follow-up Audit; the Department of Parliamentary Services Managing Contracts at Parliament House; and the Department of the Environment and Energy Monitoring Compliance with Protection and Biodiversity Conservation Act Conditions of Approval—Follow-on audit.

**Table 5. Entity views on changes to performance audit report design and structure, 2016–17<sup>a</sup>**

Respondents agreed that the:	Percentage 2016–17
• New report format is more accessible	97.8
• Conclusions in the new format are more clear and concise	100
• New format communicates the audit findings and issues more clearly	97.7
• New reporting format is a positive development overall	80.6

Note a: 56 per cent of survey respondents were aware that the ANAO had made these significant changes.

### ***ANAO-wide***

To assess its performance against its purpose in relation to ANAO-wide activities, the ANAO measures our performance in delivering audit services through the ANAO's key relationships with: the Parliament; the international, regional and national auditing community; officials of audited entities; and audit committee chairs. The ANAO also evaluates whether the independent Quality Assurance Program indicates that audit conclusions are appropriately supported and the ANAO quality assurance framework is operating effectively.

Criterion 12	Number of appearances and submissions to Parliamentary committees.
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Program 1.2, p.89
Result	Achieved a result of <b>39</b> against a target of 20.

The ANAO supports the work of the Parliament by providing independent assurance and opinions, including information, assistance and briefings to ministers, shadow ministers and other parliamentarians and to parliamentary committees, particularly the JCPAA. This includes briefings on audit reports, written submissions and appearances to committee inquiries.

In 2016–17, representatives of the ANAO made 39 appearances before and submissions to parliamentary committees. This result exceeded the target and reflects the ANAO's focus on proactively seeking opportunities to engage with the Parliament. Additional engagement activities included:

- providing written briefings to all Members and Senators at the commencement of the 45th Parliament, followed by private briefings on request;



- ▶ the Auditor-General presenting at an orientation program for new Senators, briefing the JCPAA on appointment at the commencement of the 45th Parliament, and briefing the House Liaison Committee of Committee Chairs and Deputy Chairs;
- ▶ making greater use of the more concise audit reporting format and using the summary and recommendations section in reports as an Executive Summary for Parliamentary briefings;
- ▶ providing a summary before each estimates hearings to Estimates Committees which includes information about all audit reports that have tabled since the last estimates hearings; and
- ▶ reviewing all Senate, House and Joint Committee inquiries and making submissions and being available to appear at hearings where there is relevant audit coverage to the committee inquiry terms of reference.

To assess its performance against its purpose in relation to improving public sector performance and supporting accountability and transparency in the Australian Government sector, the ANAO measures the percentage of parliamentarians' surveyed expressing satisfaction with ANAO services.

**Criterion 13**    **Percentage of Parliamentarians surveys expressing satisfaction with:**

- ▶ assurance provided by ANAO audit opinions issued in relation to the financial statements of the Australian Government and its entities (Program 1.1); and
- ▶ ANAO services directed towards improving Australian Government administration (Program 1.2).

Source                    ANAO Corporate Plan 2016–20  
2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p. 87 and p. 89

Result                    Achieved a result of:

- ▶ **80 per cent** against a target of 90 per cent for assurance provided by ANAO audit opinions issues in relation to the financial statements of the Australian Government and its entities (Program 1.1); and
- ▶ **88 per cent** against a target of 90 per cent for ANAO services directed towards improving Australian Government administration (Program 1.2).

The ANAO engages an independent research firm to conduct a survey each Parliament (approximately once every three years). The most recent survey was conducted during the 44th Parliament (March 2015).

One limitation with this measure is that the result remains static for up to three years. Although the ANAO will continue to conduct a survey each Parliament, the ANAO will also be conducting a survey of JCPAA members annually from 2017–18. The annual survey to JCPAA members will provide more timely and valuable insights into whether members are satisfied that the ANAO has improved public sector performance and supported accountability and transparency.

Criterion 14      Number of engagements that contribute to public sector auditing and support developing nations.	
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p. 87 and p. 89
Result	Achieved a result of <b>46</b> against a target of 40 for the number of engagements that contribute to public sector audits and support developing nations.

To achieve its purpose, the ANAO needs to maintain its capability at the forefront of contemporary audit practice. One contribution to this achievement is the ANAO’s international, regional and national engagements and contributions to further the profession of public sector auditing. The ANAO engages with international supreme audit institutions (SAIs), supports Australia’s international aid program, and collaborates with state and territory audit offices, and is actively involved in the work of the two professional accounting bodies in Australia and the standard setting boards. The ANAO values these relationships and their role in keeping the ANAO at the forefront of auditing techniques and methodologies, the continuous improvement of ANAO work practices and in presenting opportunities to collaborate with and support developing nations.

### International Supreme Audit Institutions

The ANAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI), which is dedicated to promoting the exchange of audit and financial management information among its member nations and providing a network for the international public sector audit community. The ANAO also contributes to the activities of two INTOSAI regional organisations:

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

Engagement with other SAIs allows the ANAO to participate in the international dialogue about best practice public administration and developments in public sector auditing. The ANAO also responds to requests from SAIs directly, including by hosting delegations, providing information and participating in surveys.

An outline of all 2016–17 international engagements is provided at Table 6.

**Table 6.** Contribution to public sector auditing

Type of contribution	Number
Surveys and requests for information	11
Hosted visits	5
Participation in INTOSAI Forums	7
Other international engagements	6

## Australasian Council of Auditors-General (ACAG)

The Auditor-General is a member of the Australasian Council of Auditors-General (ACAG), which comprises the Auditor-General for Australia and the Auditors-General for each Australian state and territory, Fiji, New Zealand and Papua New Guinea. The council's objective is to promote and strengthen public sector audit in Australasia through leadership, collaboration, engagement, and advocacy and peer support. The Auditor-General was the ACAG Convenor in 2016–17. The ANAO contributes to the council's work by attending business meetings and sub-committee meetings, preparing discussion papers, participating in information exchanges, undertaking an annual benchmarking and client surveys and conducting peer reviews. In March 2017 the delivery of the ACAG Introduction to Performance Audit Methodology training program was presented in Canberra, at the ANAO offices.

## Professional Accounting Bodies and Standard Setting Boards

The ANAO is actively involved in the work of two professional accounting bodies in Australia, CPA Australia and Chartered Accountants Australia and New Zealand. Ms Carla Jago, Group Executive Director—Assurance Audit Services Group, is the Public Sector Representative on the Chartered Accountants Australia and New Zealand Audit Advisory Committee and the ANAO has knowledge level status under CPA Australia's Recognised Employer Partner program. The ANAO contributes to the development of accounting and auditing standards through responding to exposure drafts for new or amended standards proposed by the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB).

<b>Criterion 15</b>	<b>Contributes to the delivery of the Australian Governments aid program in the Indo-Pacific region, with an objective to improve governance and economic stability through strong institutional ties between Australia, Indonesia and Papua New Guinea audit offices.</b>
Source	ANAO Corporate Plan 2016–20
Result	The aid work programs were delivered with one activity not completed in the calendar year work schedule. This activity was delivered in the following calendar year work schedule.

During the year, the ANAO maintained its commitment to engagements that contribute to public sector auditing internationally and support developing nations. Criterion 15 measures ANAO’s overall contribution to public sector auditing through engagement with international supreme audit institutions (SAIs) and support provided to Australia’s international aid programs.

### Australia’s International Aid Program

Through a partnership agreement with the Department of Foreign Affairs and Trade, the ANAO is actively participating in Australia’s international aid program to assist and support the Indonesia and Papua New Guinea audit offices to build institutional capacity and facilitate the sharing of auditing knowledge across all offices. The partnership supports the Australian Government’s sectoral aid initiative to develop effective governance institutions. Under the program, the ANAO contributes to strengthening the financial statements audit and performance audit capacity and the joint sharing of auditing knowledge and practice, including through the deployment of senior ANAO staff and through twinning arrangements.

### Australia Indonesia Government Partnerships Fund

The ANAO’s activities under the Australia Indonesia Government Partnerships Fund (GPF) program with the Audit Board of Indonesia (BPK) align with key focus areas for strengthening public sector governance. A senior ANAO staff member is deployed to the BPK to offer performance audit support and strategic management advice. In 2016–17, the ANAO’s activities included those outlined at Table 7.

**Table 7.** Indonesia aid activities, 2016–17

Activity	Dates	Number of activities
Engagement by senior leadership	November 2016	1
Knowledge sharing	September, October 2016 and March, April 2017	5
Short-term secondment of two BPK officers (hosted by the Audit Office of NSW)	July—September 2016	1
Four BPK Officers participate in ACAG performance audit training delivered by the ANAO	March 2017	1

## Australia Papua New Guinea Twinning and Strongim Gavman Program

The ANAO's activities under the Twinning and Strongim Gavman Program (SGP) with Papua New Guinea Auditor-General's Office (AGO) provide partnership arrangements between the two offices. Two senior ANAO staff members were based at the AGO in 2016–17: a performance audit adviser and a financial audit advisor. In 2016–17, the ANAO's activities included those outlined at Table 8.

**Table 8.** Papua New Guinea aid activities, 2016–17

Activity	Dates	Number of activities
Long-term secondments of six AGO Officers (hosted by the ANAO and the Audit Office of New South Wales)	July—October 2016 and February—June 2017	3
Short-term secondments of six AGO officers (hosted by the Queensland Audit Office and the Victorian Auditor-General's Office)	August 2016, October—November 2016 and March—April 2017	3
Training provided to PNG officers in performance and financial auditing	December 2016 and March 2017	2
Cross cultural awareness and network establishment	December 2016	1

<b>Criterion 16</b>	<b>Average value rating provided by:</b> <ul style="list-style-type: none"> <li>▶ CFO's in relation to the Forum;</li> <li>▶ CFO's in relation to the Financial Audit Client seminars; and</li> <li>▶ Audit Committees in relation to the Audit Committee Chair forum.</li> </ul>
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Source	ANAO Corporate Plan 2016–20
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Result	<p>Against a target of 8 (on a scale from 1–10)<sup>a</sup>, the ANAO achieved the following results:</p> <ul style="list-style-type: none"> <li>▶ CFO's average value rating in relation to the Forum was <b>7.7</b>;</li> <li>▶ CFO's average value rating in relation to the Financial Audit Client seminars was <b>7.8</b>; and</li> <li>▶ Audit Committee Chairs average value rating in relation to the Audit Committee Chair forum was <b>7.4</b>.</li> </ul>
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Note a: Using a scale of 1 to 10, where 1 is 'very low' and 10 is 'very high'.

In addition to providing independent assurance to the Parliament, the ANAO supports audited entities and their governance arrangements in respect of matters that complement its primary role.

The ANAO considers that its ongoing relationship with Chief Financial Officers, officials of audited entities and audit committees helps to achieve its purpose to both improve public sector performance and support accountability and transparency in the Australian Government sector. As part of this work, the ANAO conducts client seminars, Chief Financial Officer Forums and Audit Committee Chair Forums to share insights on emerging and topical audit issues and changes in financial reporting requirements affecting Australian Government entities.

Each year, in order to assess officials of audited entities and audit committees' views on the value of the ANAO forums and seminars, the ANAO seeks feedback through a survey. The surveys are undertaken by an external provider engaged by the ANAO.

CFO's rated the value of the ANAO's CFO Forum that was delivered in July 2016 and the Financial Audit Client seminar that was delivered in March and May 2016. The response rate from the CFO's surveyed for the 2016–17 reporting period was 81 per cent, which was consistent with the 2015–16 response rate. CFO's most highly rated the presenter's knowledge of the content presented and the face-to-face format of the CFO forum.

Audit Committee Chairs rated the value of the Audit Committee Chair forums delivered in December 2016 and June 2017. The response rate from the Audit Committee Chairs surveyed for the 2016–17 reporting period was 47 per cent, representing 61 respondents out of 130. Audit Committee Chairs most highly rated the face-to-face format of the forum and considered the presentations to be relevant and useful to their audit committee.

**Criterion 17      Percentage of Audit Committee members who acknowledge the value added by ANAO audit services.**

Source              2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p. 87 and p. 89

Result              Achieved a result of **75 per cent** against a target of 90 per cent.

This performance measure was added to the ANAO's 2015–19 Corporate Plan. In 2016, the ANAO engaged an independent research firm to survey audit committee chairs from across the Commonwealth government about ANAO audit services. The ANAO's 2016–20 Corporate Plan indicates that this measure will next be reported on in the 2018–19 period. One limitation with this measure is that the result remains static for two years.

**Criterion 18      The ANAO Quality Assurance Program indicates that audit conclusions are appropriate.**

Source              ANAO Corporate Plan 2016–20  
2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p. 87 and p. 89

Result              The ANAO's Quality Assurance Program, based upon a sample of selected audits, indicated that the audit conclusions are supported by sufficient, appropriate audit evidence.

Quality in the delivery of the ANAO's audit services is critical in supporting the integrity of audit reports and maintaining the confidence of the Parliament and public sector entities. The ANAO has established a system of quality control designed to provide assurance that it complies with applicable professional standards and relevant regulatory and legal requirements, and that the reports issued are appropriate in the circumstances.

The annual quality assurance reviews of the ANAO's audit and other assurance engagements are designed to provide the Auditor-General with assurance that these engagements comply with the ANAO Auditing Standards, relevant regulatory and legal requirements and the ANAO's policies, and that reports issued are appropriate in the circumstances. The financial statement and performance audit quality assurance programs are managed by the Professional Services and Relationships Group, and are undertaken by nominated internal staff and externally independent contractors. The results of these programs are communicated to audit staff and support the development of the ANAO's learning and development program.

In 2016–17, the quality assurance program for financial statements audits consisted of a review of 11 financial statements audits. As in previous years, the mix of audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted

firms. The quality assurance program for performance audit services consisted of a review of five tabled performance audits. In addition the Office of the Auditor General New Zealand conducted a peer review of two tabled performance audits. The peer review report is available on the ANAO's website.

Consistent with prior quality assurance programs, the majority of the findings related to the sufficiency and adequacy of audit documentation. Identified areas for improvement in financial statement audit documentation included evidencing changes made to the audit plan during the course of the audit, extent and nature of testing conducted in respect of IT general controls and assessment of documentation provided by management. For performance audits, documentation could have been improved in areas relating to engagement risk assessment, sampling methodology decisions and the assessment of documentation provided by management.

No issues that were indicative of systemic or repetitive deficiencies were identified. All assurance conclusions were found to be appropriate in the circumstances.

Criterion 19    The ANAO Quality Assurance Program indicates that ANAO quality assurance framework is operating effectively.	
Source	ANAO Corporate Plan 2016–20 2016–17 Portfolio Budget Statements, Programs 1.1 and 1.2, p. 87 and p. 89
Result	The ANAO's Quality Assurance Program indicated that the ANAO quality assurance framework is operating effectively.

The Quality Assurance Framework is based on the auditing standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements. The framework consists of policies and procedures that promote an internal culture based on the recognition that quality is essential in the conduct of audits.

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

All ANAO Executives and staff have a responsibility for quality. The Auditor-General is ultimately responsible for the system of quality control in place for assurance engagements conducted by the ANAO. The Deputy Auditor-General is responsible for ensuring that the system of quality control satisfies the requirements of the ANAO auditing standards. The Deputy Auditor-General is assisted by the Group Executive Directors, who also report at least annually to the Executive



Board of Management on audit quality and business management matters. Internal and external reviews also provide important scrutiny and reference points on the effectiveness of the framework.

The Auditor-General is assisted by the Qualifications and Accounting Policy Committee, which provides a forum for engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit related matters. ANAO policy identifies the matters that must be referred to the committee, and the committee provides advice and meets as required. The committee was consulted on 11 matters in 2016–17.

The ANAO Quality Committee, a sub-committee of the Executive Board of Management (EBOM), was established during the year. The committee is responsible for monitoring the implementation and effective operation of the ANAO quality framework and reporting to the EBOM in this regard. The Quality Committee met three times during 2016–17.

Based on the results of internal reporting to the EBOM and completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2016–17.

Criterion 20	Recommendations made by the ANAO's Independent Auditor are implemented on time
Source	ANAO Corporate Plan 2016–20
Result	The target is 100%

Section 41 of the *Auditor-General Act 1997* establishes the position of the Independent Auditor.

The Independent Auditor commenced a review of cyber-security processes, including the capability to undertake cyber-security audits, in 2016–17. This review is currently in progress and results are yet to be tabled in the Parliament.

The last Independent Auditor report, *Review of the Communications Processes*, was tabled in Parliament on 18 December 2015 and is available on the ANAO website. The report included three recommendations for the ANAO to enhance its communications processes, all of which were implemented and in a timely manner.

There are no outstanding financial or performance audit recommendations for the ANAO.

## Transparency reporting

The *Corporations Act 2001* includes requirements for annual transparency reporting by auditors. Although the ANAO is not subject to the transparency reporting requirements for private sector audits that are specified in the Act, the ANAO has embraced the principles of transparency reporting. Appendix 5 summarises the requirements that are relevant to the ANAO and shows where the required information is presented in this annual report.

## Report on financial performance

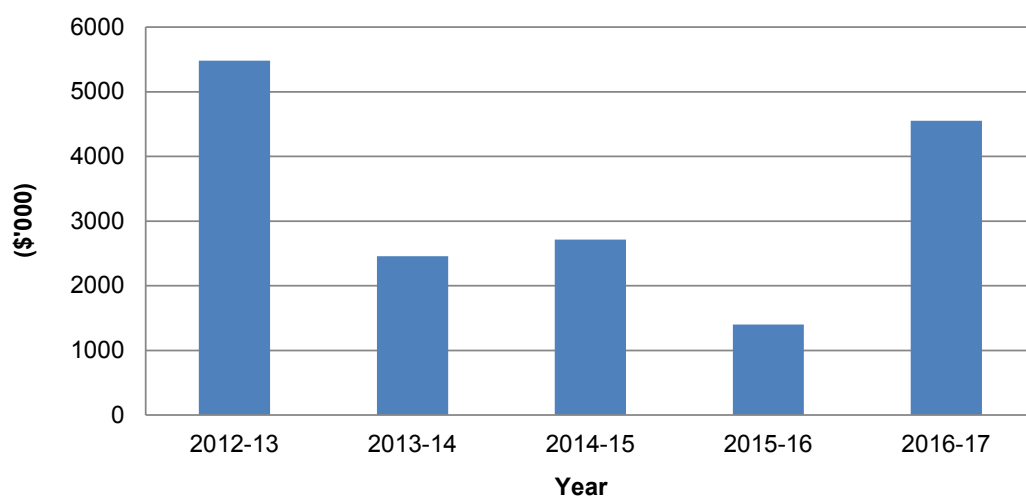
The work of the ANAO is mainly funded by Government appropriation, with a small percentage of revenue generated from audit fees paid by clients for audits by arrangement under section 20 of the *Auditor-General Act 1997*. Audit fees are set to cover our expenses. Unlike private sector auditors, the ANAO aims to operate at a break even position rather than make a profit.

### Overview of financial performance and future financial viability

The ANAO remains in a sound financial position, operating within its appropriation and with sufficient cash reserves to fund its debts as and when they fall due.

In monitoring financial performance, the ANAO excludes the impact of depreciation and amortisation that affect the operating results. In 2016–17, after adjusting for depreciation and amortisation, the ANAO's operating surplus was \$4.55 million, close to our budgeted position to break even.

**Figure 5.** Operating result (excluding depreciation and amortisation), 2012–13 to 2016–17



The ANAO budgets to remain financially sustainable into the forward estimates, and continues to implement operational efficiencies. The past 12–18 months have been focused on implementation of its three-year Future Ready Change Program (Future Ready), enabling the organisation to maintain a professional practice and an agile workforce into the forward estimates.

In the first quarter of 2018–19, both the accommodation lease for the ANAO office building and the arrangement with the current IT provider (UNISYS) will expire. Work has commenced on reviewing the ANAO's accommodation requirements and determining the future IT environment

that will be needed to support staff and the delivery of the Auditor-General’s mandate. Discussions with the Department of Finance will be undertaken if additional funding is required to support either project.

Expense impacts

The ANAO spends most of its budget on employees and contract audit services. All staff are based in Canberra and predominantly undertake audits on key portfolio and material agencies. The ANAO also engages contractors within and at locations outside of Canberra to undertake audits of entities, under the supervision of senior staff from the ANAO. Travel occurs by Canberra based staff to maintain appropriate oversight and quality assurance processes over these audits including attendance at entity Audit Committees.

Where required, the ANAO also engages specialists such as valuers and actuaries to provide expertise required to complete the audit program.

The ANAO’s total expenditure for 2016–17 was \$74.708 million.

Figure 6. Expenditure by type 2016–17

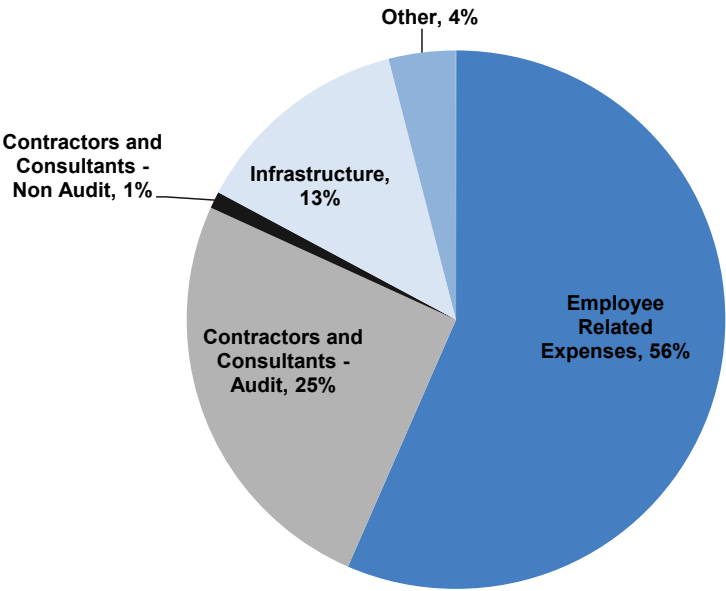


Table 9 shows that spending decreased by \$2.364 million in 2016–17. The reduction was mainly due to staff salaries and related expenses declining as a result of staff attrition and bond rate adjustments to leave balances. Supplier expenses remained consistent with the prior year.

## Revenue impacts

Government revenue increased slightly in 2016–17 by \$89,000 to \$72.852 million.

Own source revenue in 2016–17 was \$0.509 million more than the previous year's \$3.908 million. Audit services income increased by \$0.200 million and international development funding increased by \$0.453 million. These increases were offset by a reduction in rental income with the termination of the sublease of office accommodation (reduction of \$0.17 million).

## Financial position

As at 30 June 2017, the ANAO had net equity of \$30.75 million, representing \$45.54 million of assets offset by \$14.79 million of liabilities.

Most of the ANAO's assets and liabilities are of a financial nature, with the largest balance being appropriation and other receivables (\$40.725 million). The majority of the ANAO's liabilities relate to employee provisions (\$10.91 million) and suppliers (\$2.68 million).

**Table 9.** Summary of financial performance, 2015–16 and 2016–17

	2016–17 (\$'000)	2015–16 (\$'000)	Variance (\$'000)	Variance (%)
<b>Statement of comprehensive income</b>				
Total own source revenue	4,417	3 908	509	13%
Total revenue from Government	72,852	72 763	89	0%
Total expenses	74,708	77 072	(2,364)	(3)%
Net surplus / (deficit)	2,561	(401)	2,962	
<b>Statement of financial position</b>				
Total assets	45,541	45 248	293	1%
Total liabilities	14,787	18 196	(3,409)	(19)%
Net assets	30,754	27 052	3,702	14%
Equity	30,754	27 052	3,702	

## Entity resource statement

The entity resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Appendix 6 details the resources available to the ANAO during 2016–17 and sets out the ANAO's summary of total expenses for Outcome 1.



# Part 5—Financial statements

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## **Independent auditor's report**

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

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### **My opinion**

In my opinion:

The accompanying financial statements of the Australian National Audit Office

- (a) give a true and fair view of the Australian National Audit Office's financial position as at 30 June 2017 and of its financial performance for the year then ended
- (b) comply with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and Australian Accounting Standards - Reduced Disclosure Requirements including the Australian Accounting Interpretations.

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### **What I have audited**

The financial report comprises:

- the statement of financial position as at 30 June 2017
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the cash flow statement for the year then ended
- the administered schedule of comprehensive income
- the administered schedule of Assets and Liabilities
- the administered reconciliation schedule
- the administered cash flow statement
- the notes to the financial statements, which include a summary of significant accounting policies
- the statement by the Auditor-General and Chief Finance Officer.

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### **Basis for opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

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

### **Independence**

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



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### *Responsibilities of the Auditor-General for the financial statements*

The Auditor-General is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability Act 2013* and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Auditor-General is responsible for assessing the ability of the Australian National Audit Office to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Auditor-General either intends to liquidate the Australian National Audit Office or to cease operations, or have no realistic alternative but to do so.

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### *Auditor's responsibilities for the audit of the financial report*

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:  
[http://www.auasb.gov.au/auditors\\_files/ar3.pdf](http://www.auasb.gov.au/auditors_files/ar3.pdf). This description forms part of my auditor's report.



Peter van Dongen  
Independent Auditor

Sydney  
7 August 2017

**Australian National Audit Office**

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

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Signed.....

Grant Hehir  
Auditor-General

7 August 2017



Signed.....

Sue Knox  
Chief Finance Officer

7 August 2017

**Australian National Audit Office**  
**Statement of Comprehensive Income**  
*for the period ended 30 June 2017*

		2017	2016	2017 Original Budget
	Notes	\$'000	\$'000	\$'000
<b>NET COST OF SERVICES</b>				
<b>EXPENSES</b>				
Employee benefits	2.1A	39,730	42,776	45,774
Suppliers	4.1A	32,972	32,489	31,089
Depreciation and amortisation	5.2A	1,992	1,802	1,886
Write-down and impairment of assets		14	5	-
<b>Total expenses</b>		<b>74,708</b>	<b>77,072</b>	<b>78,749</b>
<b>OWN-SOURCE INCOME</b>				
Audit services		2,250	2,036	2,000
International development funding		1,946	1,493	1,800
Rendering of other services		221	207	-
Sub lease of office accommodation		-	172	200
<b>Total own-source income</b>	4.2A	<b>4,417</b>	<b>3,908</b>	<b>4,000</b>
<b>Net cost of services</b>		<b>70,291</b>	<b>73,164</b>	<b>74,749</b>
<b>REVENUE FROM GOVERNMENT</b>				
Departmental annual appropriations		72,143	72,086	72,143
Departmental special appropriations		709	677	720
<b>Total revenue from Government</b>	4.3A	<b>72,852</b>	<b>72,763</b>	<b>72,863</b>
<b>Total Comprehensive Income (Loss)</b>		<b>2,561</b>	<b>(401)</b>	<b>(1,886)</b>

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

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

**Australian National Audit Office**  
**Statement of Financial Position**  
*as at 30 June 2017*

		2017	2016	2017
	Notes	\$'000	\$'000	Original Budget \$'000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents	5.1A	444	681	664
Trade and other receivables	5.1B	40,725	38,731	37,923
Work in progress - audit related services	5.1C	79	102	229
<b>Total financial assets</b>		<b>41,248</b>	<b>39,514</b>	<b>38,816</b>
<b>Non-financial assets</b>				
Leasehold improvements	5.2A	1,053	1,893	935
Plant and equipment	5.2A	1,158	1,524	1,461
Intangibles	5.2A	1,037	1,255	1,407
Prepayments		1,045	1,062	902
<b>Total non-financial assets</b>		<b>4,293</b>	<b>5,734</b>	<b>4,705</b>
<b>Total assets</b>		<b>45,541</b>	<b>45,248</b>	<b>43,521</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
Suppliers	5.3A	2,682	3,643	2,298
Operating lease incentives		243	441	242
Accrued salaries and other payables		949	373	1,600
<b>Total payables</b>		<b>3,874</b>	<b>4,457</b>	<b>4,140</b>
<b>Provisions</b>				
Employee provisions	2.1B	10,913	13,739	14,578
<b>Total provisions</b>		<b>10,913</b>	<b>13,739</b>	<b>14,578</b>
<b>Total liabilities</b>		<b>14,787</b>	<b>18,196</b>	<b>18,718</b>
<b>Net assets</b>		<b>30,754</b>	<b>27,052</b>	<b>24,803</b>
<b>EQUITY</b>				
Contributed equity		12,727	11,586	12,727
Reserves		564	564	564
Retained surplus		17,463	14,902	11,512
<b>Total equity</b>		<b>30,754</b>	<b>27,052</b>	<b>24,803</b>

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

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

**Australian National Audit Office**  
**Statement of Changes in Equity**  
*for the period ended 30 June 2017*

Note	Retained surplus			Asset revaluation surplus			Contributed equity/capital			Total equity		
	2017 \$'000	2016 \$'000	2017 Original Budget \$'000	2017 Original Budget \$'000	2016 \$'000	2017 Original Budget \$'000	2017 \$'000	2016 \$'000	2017 Original Budget \$'000	2017 \$'000	2016 \$'000	2017 \$'000
<b>Opening balance</b>	<b>14,902</b>	<b>15,303</b>	13,398	564	564	564	<b>11,586</b>	<b>10,585</b>	11,586	<b>27,052</b>	<b>26,452</b>	
<b>Comprehensive income</b>												
Surplus for the period	<b>2,561</b>	(401)	(1,886)	-	-	-	-	-	-	<b>2,561</b>	(401)	
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	
<b>Total comprehensive income</b>	<b>2,561</b>	(401)	(1,886)	-	-	-	-	-	-	<b>2,561</b>	(401)	
<b>Transactions with owners</b>												
<b>Contributions by owners</b>												
Equity Injection	-	-	-	-	-	-	<b>150</b>	-	150	<b>150</b>	-	
Departmental capital budget	-	-	-	-	-	-	<b>991</b>	<b>1,001</b>	991	<b>991</b>	<b>1,001</b>	
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,141</b>	<b>1,001</b>	1,141	<b>1,141</b>	<b>1,001</b>	
<b>Closing balance as at 30 June</b>	<b>17,463</b>	<b>14,902</b>	11,512	564	564	564	<b>12,727</b>	<b>11,586</b>	12,727	<b>30,754</b>	<b>27,052</b>	

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

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

**Australian National Audit Office**  
**Cash Flow Statement**  
*for the year ended 30 June 2017*

	2017 \$'000	2016 \$'000	2017 Original Budget \$ ' 000
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Appropriations for operating activities	77,824	78,203	73,062
Rendering of services	4,725	5,058	4,000
Net GST received	3,020	3,414	-
<b>Total cash received</b>	<b>85,569</b>	<b>86,675</b>	<b>77,062</b>
<b>Cash used</b>			
Employees	41,979	43,292	45,775
Suppliers <sup>2</sup>	37,013	37,228	31,287
Receipts transferred to OPA	6,937	6,137	-
<b>Total cash used</b>	<b>85,929</b>	<b>86,657</b>	<b>77,062</b>
<b>Net cash from operating activities</b>	<b>(360)</b>	<b>18</b>	<b>-</b>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of leasehold improvements	-	14	1,141
Purchase of plant and equipment	333	495	-
Purchase of intangibles <sup>2</sup>	685	451	-
<b>Total cash used</b>	<b>1,018</b>	<b>960</b>	<b>1,141</b>
<b>Net cash used by investing activities</b>	<b>(1,018)</b>	<b>(960)</b>	<b>(1,141)</b>
<b>FINANCING ACTIVITIES</b>			
<b>Cash received</b>			
Contributed equity	1,141	959	1,141
<b>Total cash received</b>	<b>1,141</b>	<b>959</b>	<b>1,141</b>
<b>Net cash from financing activities</b>	<b>1,141</b>	<b>959</b>	<b>1,141</b>
<b>Net increase in cash held</b>	<b>(237)</b>	<b>17</b>	<b>-</b>
Cash and cash equivalents at the beginning of the reporting period	681	664	664
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	<b>444</b>	<b>681</b>	<b>664</b>

<sup>1</sup> As shown in the Statement of Financial Position.

<sup>2</sup> A reclassification has been made between the comparative year suppliers cash used (increase of \$0.285 m) and purchase of intangibles (reduction of \$0.285 m).

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

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

**Australian National Audit Office**  
**Administered Schedule of Comprehensive Income**  
*for the year ended 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget \$ '000
<b>INCOME</b>				
<b>Non-taxation revenue</b>				
Rendering of audit services		12,822	11,692	12,300
<b>Total income administered on behalf of Government<sup>1</sup></b>		<b>12,822</b>	<b>11,692</b>	<b>12,300</b>

<sup>1</sup> Total comprehensive income is equal to total income as there have been no administered expenses or movements in other comprehensive income.

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

**Administered Schedule of Assets and Liabilities**  
*as at 30 June 2017*

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget \$ '000
<b>ASSETS</b>				
<b>Financial assets</b>				
Cash and cash equivalents		591	371	103
Trade receivables – audit related services		5,416	4,783	4,297
Work in progress - audit related services	5.1C	729	1,240	2,009
<b>Total financial assets</b>		<b>6,736</b>	<b>6,394</b>	<b>6,409</b>
<b>Total assets administered on behalf of Government</b>		<b>6,736</b>	<b>6,394</b>	<b>6,409</b>
<b>LIABILITIES</b>				
<b>Payables</b>				
GST payable		492	435	391
<b>Total payables</b>		<b>492</b>	<b>435</b>	<b>391</b>
<b>Total liabilities administered on behalf of Government</b>		<b>492</b>	<b>435</b>	<b>391</b>
<b>Net assets</b>		<b>6,244</b>	<b>5,959</b>	<b>6,018</b>

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

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

**Australian National Audit Office**  
**Administered Reconciliation Schedule**  
*as at 30 June 2017*

	2017 \$'000	2016 \$'000
<b>Opening assets less liabilities as at 1 July</b>	<b>5,959</b>	<b>6,018</b>
Net contribution by services:		
Income	<b>12,822</b>	11,692
Transfers to the Australian Government:		
Transfers to the Official Public Account	<b>(12,537)</b>	(11,751)
<b>Closing assets less liabilities as at 30 June</b>	<b>6,244</b>	<b>5,959</b>

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

**Administered Cash Flow Statement**  
*for the year ended 30 June 2017*

	2017 \$'000	2016 \$'000
<b>OPERATING ACTIVITIES</b>		
<b>Cash received</b>		
Rendering of audit services	<b>14,026</b>	13,217
<b>Total cash received</b>	<b>14,026</b>	<b>13,217</b>
<b>Cash used</b>		
Net GST paid	<b>1,269</b>	1,198
<b>Total cash used</b>	<b>1,269</b>	<b>1,198</b>
<b>Net cash flows from operating activities</b>	<b>12,757</b>	<b>12,019</b>
<b>Net increase in cash held</b>	<b>12,757</b>	<b>12,019</b>
Cash and cash equivalents at the beginning of the reporting period	<b>371</b>	103
Cash to Official Public Account for:		
- Appropriations	<b>12,537</b>	11,751
<b>Cash and cash equivalents at the end of the reporting period<sup>1</sup></b>	<b>591</b>	<b>371</b>

<sup>1</sup> As shown in the Administered Schedule of Assets and Liabilities.

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



## Australian National Audit Office

### Overview

#### Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* for reporting periods ending on or after 1 July 2015; and
- b) Australian Accounting Standards and Interpretations — Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

#### Significant Accounting Judgements and Estimates

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

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

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

#### Taxation

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

#### Reporting of Administered Activities

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

#### Accounting policy — administered financial instruments

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

#### New Australian Accounting Standards

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

Overview (continued)

Events After the Reporting Period

*Departmental*  
No events have occurred after balance date that should be brought to account or noted in the 2016–17 financial statements.

*Administered*  
No events have occurred after balance date that should be brought to account or noted in the 2016–17 financial statements.

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

**Note 1: Budget Variances**

The following tables provide high level commentary of major variances between budgeted information for the ANAO published in the Prime Minister and Cabinet's 2016–17 Portfolio Budget Statements (PBS) and the 2016–17 final outcome as presented in accordance with Australian Accounting Standards for the ANAO. The Budget is not audited. Major variances are those deemed relevant to an analysis of ANAO's performance and are not focussed merely on numerical differences between the budget and actual amounts.

Explanations of major variances are as follows:

Explanation of major variances	Variance to Budget \$'000	Variance to Budget %	Affected line items
<i>Departmental Items</i>			
Audit staffing vacancies throughout the year were higher than budgeted (337 budgeted average staffing level compared to 312 actual average staffing level). Contractor arrangements were used to supplement the ANAO workforce and ensure key deliverables were met.	( 6,044)	(13%)	<i>Statement of Comprehensive Income</i> , Employee Benefits Expense
In addition, the movement in the discount bond rate used to value employee provisions resulted in a further downwards adjustment of approximately \$1.0 m to both employee expense and provision balances.	( 3,665)	(25%)	<i>Statement of Financial Position</i> , Employee Provisions
Increased costs resulting from the use of additional contractor arrangements to supplement the ANAO workforce during the year were offset by efficiency measures across other supplier categories.	1,883	6%	<i>Statement of Comprehensive Income</i> , Suppliers Expense
Audit services income relates to fees charged for audits by arrangement. Income from this source is subject to volatility based on volume and scope of requests each year.	250	13%	<i>Statement of Comprehensive Income</i> , Audit services
The appropriation receivable was higher than budgeted primarily due to the final operating result in 2016–17 being \$4.5 m better than budgeted. This was offset by trade receivables being lower than budgeted due to timing of receipts from other Commonwealth entities.	2,802	7%	<i>Statement of Financial Position</i> , Trade and other receivables
Lower expenses incurred have resulted in an operating surplus of \$2.6 m compared to budgeted deficit of \$1.9 m. This is the main contributor to the resulting budget variance of \$5.9 m.	5,951	52%	<i>Statement of Changes in Equity</i> , <i>Statement of Financial Position</i> — Retained Surplus
Delays in investing in replacement assets — due to a combination of useful lives being extended beyond initial expectations and the decision to delay investments until accommodation and IT arrangements for 17–18 and beyond are finalised.	( 673)	( 23%)	<i>Statement of Financial Position</i> , Non-financial Assets — Plant and equipment, intangibles

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

**Note 1: Budget Variances (continued)**

Explanation of major variances	Variance to Budget \$'000	Variance to Budget %	Affected line items
<i>Administered Items</i>			
<p>Audit fees are based on a scale determined by the Auditor-General under section 14 of the <i>Auditor-General Act 1997</i>, calculated on the basis of a cost attribution model. The fees charged were higher than budget due to scope variations and additional work undertaken and thus charged for a number of these audits.</p> <p>Work in progress includes the total costs incurred on audit work yet to be completed less interim billings. Audit fees, once billed, are classified as trade receivables — audit related services. The variance to budget for these two balances reflects the timing of work and billings, and combined only result in a net variance of \$0.2 million.</p>	522	4%	<i>Schedule of Comprehensive Income</i> , Rendering of Audit Services
	1,119	26%	<i>Schedule of Assets and Liabilities</i> , Trade Receivables — audit related services
	(1,280)	(64%)	<i>Schedule of Assets and Liabilities</i> , Work in Progress — audit related services

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

**Note 2: People and Relationships**

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

**Note 2.1: Employee Benefits and Provisions**

**Note 2.1A: Employee Benefits**

	2017 \$'000	2016 \$'000
Wages and salaries	31,054	31,860
Superannuation:		
Defined contribution plans	2,820	2,919
Defined benefit plans	2,268	3,027
Leave and other entitlements	2,985	4,903
Separations and redundancies	284	-
Other employee expenses	319	67
<b>Total employee benefits</b>	<b>39,730</b>	<b>42,776</b>

**Note 2.1B: Employee Provisions**

All employee provisions relate to long service leave and annual leave. There was no provision for separations and redundancy in either 2017 or 2016.

Accounting Policy

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

Leave:

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

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

The liability for long service leave has been determined by reference to *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR) 24.1(a) using the shorthand method. The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation:

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

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

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

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

**Note 2.2: Key Management Personnel Remuneration**

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

The following tables are prepared on an accruals basis.

	2017	2016
	\$	\$
<b>Short-term employee benefits:</b>		
Salary	2,270,097	2,251,550
Performance bonuses	44,885	12,840
<b>Total short-term employee benefits</b>	<b>2,314,982</b>	<b>2,264,390</b>
<b>Post-employment benefits:</b>		
Superannuation	379,031	397,278
<b>Total post-employment benefits</b>	<b>379,031</b>	<b>397,278</b>
<b>Other long-term benefits:</b>		
Annual leave accrued	185,720	202,521
Long-service leave	56,817	58,370
<b>Total other long-term benefits</b>	<b>242,537</b>	<b>260,891</b>
<b>Total key management personnel remuneration<sup>1</sup></b>	<b>2,936,550</b>	<b>2,922,559</b>

Remuneration of Key Management Personnel	Actual 2017	Actual 2016
Below \$50,000	3	2
\$50,001-\$150,000	1	5
\$150,001 to \$175,000	1	-
\$175,001 to \$200,000	-	2
\$200,001 to \$225,000	1	1
\$250,001 to \$275,000	1	-
\$275,001 to \$300,000	2	1
\$300,001 to \$325,000	1	-
\$350,001 to \$375,000	-	1
\$425,001 to \$450,000	-	1
\$450,001 to \$475,000	1	-
\$693,618 <sup>1</sup>	-	1
\$716,306 <sup>1</sup>	1	-
<b>The aggregate of the remuneration for key management personnel</b>	<b>\$ 2,936,550</b>	<b>\$ 2,922,559</b>

<sup>1</sup> The above key management personnel remuneration includes the remuneration and other benefits of the Auditor-General. The Auditor-General's remuneration and other benefits are set by the Remuneration Tribunal.

Notes:

- The remuneration totals (on a pro rata basis) for key management personnel include those staff who ceased in those roles as well as their replacements.
- Members of the Executive Board of Management, apart from the Auditor-General, are employed in accordance with the *Public Service Act 1999*.

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

**Note 2.2: Key Management Personnel Remuneration (continued)**

Members of the Executive Board of Management were as follows:

2016–17	Position	Period in Position
Grant Hehir	Auditor-General	1 Jul 2016 – 30 Jun 2017
Rona Mellor	Deputy Auditor-General	1 Jul 2016 – 30 Jun 2017
Ian Goodwin	Group Executive Director, Assurance Audit	1 Jul 2016 – 20 Jan 2017
Carla Jago	Group Executive Director, Assurance Audit	15 May 2017 – 30 Jun 2017
Jocelyn Ashford	Acting Group Executive Director, Assurance Audit	9 Jan 2017 – 12 May 2017
Anastasios Ioannou	Group Executive Director, Performance Audit	1 Jul 2016 – 30 Jun 2017
Michelle Kelly	Group Executive Director, Performance Audit	1 Jul 2016 – 5 May 2017
Mark Simpson	Acting Group Executive Director, Performance Audit	24 Apr 2017 – 7 Jun 2017
Michael White	Acting Group Executive Director, Performance Audit	5 May 2017 – 30 Jun 2017
Jane Meade	Group Executive Director, Professional Services and Relationships	1 Jul 2016 – 30 Jun 2017
Deborah Rollings	Senior Executive Director, Corporate Management Branch	1 Jul 2016 – 30 Jun 2017
Sue Knox	Chief Finance Officer	1 Jul 2016 – 30 Jun 2017

2015–16	Position	Period in Position
Grant Hehir	Auditor-General	1 Jul 2015 – 30 Jun 2016
Rona Mellor	Deputy Auditor-General	6 Jul 2015 – 30 Jun 2016
Ian Goodwin	Group Executive Director, Assurance Audit	1 Jul 2015 – 30 Jun 2016
Michael Watson	Group Executive Director, Assurance Audit	1 Jul 2015 – 15 Jan 2016
Jocelyn Ashford	A/g Group Executive Director, Assurance Audit	14 Sep 2015 – 23 Oct 2016
Anastasios Ioannou	Group Executive Director, Performance Audit	1 Jul 2015 – 30 Jun 2016
Michelle Kelly	Group Executive Director, Performance Audit	25 Oct 2015 – 30 Jun 2016
Andrew Pope	Group Executive Director, Performance Audit	1 Jul 2015 – 31 Jan 2016
Mark Simpson	A/g Group Executive Director, Performance Audit	1 Jul 2015 – 24 Oct 2015
Jane Meade	Group Executive Director, Professional Services and Relationships	7 Mar 2016–30 Jun 2016
Deborah Rollings	Senior Executive Director, Corporate Management Branch	20 Jun 2016 – 30 Jun 2016
Benjamin Sladic	A/g Executive Director, Corporate Management Branch	6 Jul 2015 – 7 Aug 2015 17 Aug 2015 – 16 Oct 2015 19 Jan 2016 – 19 Jun 2016
Mitchell Frost	Chief Finance Officer Acting Executive Director, Corporate Management Branch	1 Jul 2015 – 19 Oct 2015 19 Oct 2015 – 8 Jan 2016
Sue Knox	Chief Finance Officer	30 Oct 2015 – 30 Jun 2016

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

**Note 2.3: Cash remuneration paid to senior executives during the reporting period**

Total cash remuneration 2017	Executives No.	Average Reportable Salary \$	Average Contributed superannuation \$	Average Allowances \$	Average Bonus Paid \$	Average Total Remuneration \$
\$200,000 and less	14	88,617	13,875	95	1,005	103,592
\$200,001 to \$225,000	3	184,515	29,839	-	2,013	216,367
\$225,001 to \$250,000	4	198,936	32,253	-	5,470	236,659
\$250,001 to \$275,000	3	217,062	34,663	-	11,832	263,557
\$275,001 to \$325,000	6	247,970	35,714	82	8,142	291,908
\$425,001 to \$475,000	3	410,572	40,240	-	5,707	456,519
\$675,001 to 725,000	1	627,016	88,116	-	-	715,132
<b>Total number of executives</b>	<b>34</b>					

Total cash remuneration 2016	Executives No.	Average Reportable Salary \$	Average Contributed superannuation \$	Average Allowances \$	Average Bonus Paid \$	Average Total Remuneration \$
\$200,000 and less	7	110,205	20,761	-	1,171	132,137
\$200,001 to \$225,000	2	187,161	31,635	-	-	218,796
\$225,001 to \$250,000	8	195,833	32,741	-	950	229,524
\$250,001 to \$275,000	7	217,730	34,941	179	8,446	261,296
\$275,001 to \$325,000	3	244,662	40,583	-	5,063	290,308
\$325,001 to \$375,000	2	315,654	37,510	-	6,420	359,584
\$400,001 to \$450,000	2	361,674	62,649	-	-	424,323
\$650,001 to \$700,000	1	587,343	91,222	-	-	678,565
<b>Total number of executives</b>	<b>32</b>					



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

**Note 2.3: Cash remuneration paid to senior executives during the reporting period (continued)**

Notes

1. This table is prepared on a cash basis. In 2017, there were 26 fortnightly pays (2016: 27).
2. This table reports substantive senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
3. 'Reportable salary' includes the following, as reported in an individual's payment summary:
  - a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
  - b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
  - c) reportable employer superannuation contributions; and
  - d) exempt foreign employment income.
4. The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to substantive senior executives in that reportable remuneration band during the reporting period.
5. 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries. Reportable allowances excludes any allowances already reported in the gross payments line in the payment summary.
6. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the ANAO during the financial year.

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

**Note 2.4: Cash remuneration paid to highly paid staff during the reporting period**

Total cash remuneration 2017	Highly Paid Staff	Average Reportable Salary	Average Contributed superannuation	Average Allowances	Average Bonus Paid	Average Total Remuneration
	No.	\$	\$	\$	\$	\$
	2	263,500	25,963	-	-	289,463
<b>Total number of highly paid staff</b>	<b>2</b>					

Total cash remuneration 2016	Highly Paid Staff	Average Reportable Salary	Average Contributed superannuation	Average Allowances	Average Bonus Paid	Average Total Remuneration
	No.	\$	\$	\$	\$	\$
	1	185,381	19,476	-	-	204,857
<b>Total number of highly paid staff</b>	<b>1</b>					

**Notes**

1. This table reports staff:

- a) who were employed by the ANAO during the reporting period;
- b) whose reportable remuneration was \$200,000 or more for the reporting period; and
- c) were not required to be disclosed in Note 2.3.

Each row is an averaged figure based on headcount for individuals in the band. This table is prepared on a cash basis.

2. 'Reportable salary' includes the following:

- a) gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
- b) reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
- c) reportable employer superannuation contributions; and
- d) exempt foreign employment income.

3. The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.

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

5. 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the ANAO during the financial year.

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

**Note 2.5: Related Party Disclosures**

**Related party relationships:**

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

- Key Management Personnel, their close family members, and entities controlled or jointly controlled by either
- the Executive — key management personnel for the consolidated whole of Government accounts,
- and other Australian Government entities.

**Transactions with related parties:**

Given the breadth of Government activities, related parties may transact with the Government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note.

Significant transactions with related parties can also include:

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

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

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

**Note 3: Funding**

*This section identifies the ANAO's funding structure.*

**Note 3.1: Appropriations**

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

	2017 \$ ' 000	2016 \$ ' 000
Ordinary annual services	72,143	72,086
Capital Budget <sup>1</sup>	991	1,001
Receipts retained under <i>PGPA Act — Section 74</i>	5,416	5,545
Equity Injection <sup>1</sup>	150	-
<b>Total Appropriation</b>	<b>78,700</b>	<b>78,632</b>
Appropriations applied (current and prior years)	76,973	77,876
<b>Variance</b>	<b>1,727</b>	<b>756</b>

<sup>1</sup> Departmental Capital Budgets are appropriated through *Supply Bill (No. 1)* and *Appropriation Acts (No. 1, 3)*. They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

Equity injections are appropriated through *Appropriation Act (No. 2)*.

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

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

	2017 \$ ' 000	2016 \$ ' 000
<b>Departmental</b>		
<i>Appropriation Act (No. 1) 2015–16</i>	-	37,945
<i>Appropriation Act (No. 1) 2016–17</i>	39,522	
<i>Appropriation Act (No. 2) 2016–17</i>	150	-
<b>Total</b>	<b>39,672</b>	<b>37,945</b>

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

	Appropriation applied 2017 \$ ' 000	Appropriation applied 2016 \$ ' 000
<b>Authority</b>		
<i>Auditor-General Act 1997, Schedule 1 sections 3 and 7</i>	709	677
Unlimited amount for remuneration of the Auditor-General		
<b>Total</b>	<b>709</b>	<b>677</b>

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

**Note 3.2: Special Accounts**

Appropriation: *Public Governance, Performance and Accountability Act 2013*; section 78  
Establishing Instrument: *Financial Management and Accountability Determination 2012/06* on 30 May 2012

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

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

For the year ended 30 June 2017 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting periods.

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

**Note 4: Financial Performance** *This section analyses the financial performance of the ANAO for the year ended 2017.*

**4.1 Expenses**

	2017 \$'000	2016 \$'000
<b>Note 4.1A: Suppliers</b>		
<b>Goods and services</b>		
Contractors and consultants	19,929	19,796
Information and communication technology	3,997	3,876
Travel	1,058	1,257
Professional development	1,002	963
Recruitment	694	528
Property operating expenses	394	415
Staff related expenses	339	366
Other	1,579	1,456
<b>Total goods and services</b>	<b>28,992</b>	<b>28,657</b>
<b>Other suppliers</b>		
Operating lease rentals	3,629	3,541
Workers compensation expenses	351	291
<b>Total other suppliers</b>	<b>3,980</b>	<b>3,832</b>
<b>Total Suppliers</b>	<b>32,972</b>	<b>32,489</b>

Accounting policy

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

**Leasing Commitments**

The ANAO in its capacity as lessee has entered the following non-cancellable leases:

- *Lease for office accommodation*

The ANAO has one current accommodation lease in the ACT. The lease commenced on 23 September 2008 for a period of 10 years and is for the ANAO's present accommodation in the ACT. There is an option to extend for a further 10 years and any increases in rent will be at a rate commensurate with CPI. As part of the lease agreement, the ANAO received a contribution of \$1 million from the landlord towards refurbishment of the premises and release from any future make good obligations. These incentives are being recognised progressively over the lease as a reduction in rent expense.

- *Lease for data centre facilities*

The ANAO leases a secure offsite facility for data storage and business continuity purposes. The lease commenced on 1 November 2012 for a period of 10 years with fixed rent increases of 4% until 2016 and rental increases over the remaining lease at a rate commensurate with CPI.

**Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:**

	2017 \$'000	2016 \$'000
Within 1 year	4,241	4,199
Between 1 to 5 years	977	5,213
More than 5 years	25	98
<b>Total operating lease commitments</b>	<b>5,243</b>	<b>9,510</b>

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

**4.2 Own-source Income**

**Note 4.2A Accounting policy**

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

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

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

**4.3 Revenue from Government**

**Note 4.3A: Accounting policy**

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

Appropriations receivable are recognised at their nominal amounts.

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

**Note 5: Financial Position**

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

**Note 5.1: Financial Assets**

**Note 5.1A Cash and Cash Equivalents**

Accounting policy

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

**Note 5.1B: Trade and Other Receivables**

	2017 \$'000	2016 \$'000
<b>Goods and services</b>		
Trade receivables	1,182	1,208
GST receivable from the Australian Taxation Office	315	259
<b>Appropriation</b>		
Appropriation receivables	39,228	37,264
<b>Total trade and other receivables</b>	<b>40,725</b>	<b>38,731</b>

Credit terms for goods and services were within 30 days (2016: 30 days).

Accounting policy

Trade receivables are classified as 'loans and receivables' and recorded at face value less any impairment. Trade receivables are recognised where the ANAO becomes party to a contract and has a legal right to receive cash. Loans and receivables are assessed for impairment at the end of each reporting period. Allowances are made when collectability of the debt is no longer probable. Trade receivables are derecognised on payment.

The fair values of the ANAO's financial assets and liabilities approximate their carrying amounts. The ANAO derived no interest income from financial assets in either the current or prior year.

The ANAO has policies and procedures that guide employees' debt recovery. The ANAO does not require collateral in respect of trade and other receivables. No impairment has been recognised (2016: nil).

The ANAO has sufficient available financial assets to meet all financial liabilities at 30 June 2017.

**Note 5.1C: Work-in-progress**

Accounting policy

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



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

**Note 5.2: Non-Financial Assets**

**Note 5.2A: Property, Plant and Equipment and Intangibles**

**Reconciliation of opening and closing balances of property, plant and equipment and intangibles for 2017**

	Leasehold Improvements	Plant & equipment	Intangibles - Computer Software	Total
	\$'000	\$'000	\$'000	\$'000
<b>As at 1 July 2016</b>				
Gross book value	2,729	2,025	5,570	10,324
Accumulated depreciation and impairment	(836)	(501)	(4,315)	(5,652)
<b>Total as at 1 July 2016</b>	<b>1,893</b>	<b>1,524</b>	<b>1,255</b>	<b>4,672</b>
Additions - by purchase	-	237	345	582
Depreciation and amortisation expense	(840)	(589)	(563)	(1,992)
Disposals	-	(14)	-	(14)
<b>Total as at 30 June 2017</b>	<b>1,053</b>	<b>1,158</b>	<b>1,037</b>	<b>3,248</b>
<b>Total as at 30 June 2017 represented by:</b>				
Gross book value	2,729	2,212	5,495	10,436
Accumulated depreciation, amortisation and impairment	(1,676)	(1,054)	(4,458)	(7,188)
<b>Total</b>	<b>1,053</b>	<b>1,158</b>	<b>1,037</b>	<b>3,248</b>

All non-financial assets were assessed for indications of impairment at 30 June 2017.

Where indications of impairment exist, the asset's recoverable amount was estimated and an impairment loss recognised if the asset's recoverable amount was less than its carrying amount.

**Accounting Policy — Property, plant and equipment**

**Acquisition of Assets:**

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

**Revaluations:**

Following initial recognition at cost, leasehold improvements and plant and equipment are carried at fair value. Carrying amounts are reviewed every year to determine if an independent valuation is required. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class. Upon revaluation, any accumulated depreciation is eliminated against the gross carrying amount of the asset.

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

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

*Depreciation:*

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

	<b>2017</b>	<b>2016</b>
<i>Leasehold improvements</i>	<b><i>Lease term</i></b>	<b><i>Lease term</i></b>
<i>IT Assets</i>	<b><i>2 to 11 years</i></b>	<b><i>2 to 11 years</i></b>
<i>Office equipment</i>	<b><i>5 to 30 years</i></b>	<b><i>5 to 30 years</i></b>
<i>Antique furniture</i>	<b><i>30 to 80 years</i></b>	<b><i>30 to 80 years</i></b>

*Fair Value:*

All property, plant and equipment are measured at fair value in the Statement of Financial Position. When estimating fair value, market prices (with adjustment) were used where available. Where market prices were not available, depreciated replacement cost was used (ie level 3).

Level 3 measurements use inputs to estimate fair value where there are no observable market prices for the assets being valued.

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

**Accounting policy — intangibles**

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the ANAO's software are 3 to 5 years (2016: 3 to 5 years).

**Note 5.3: Liabilities**

**Note 5.3A: Suppliers**

**Accounting policy**

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier and other payables are derecognised on payment. Supplier payables are settled within 30 days.

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

**Note 6 Other Information**

**Note 6.1: Remuneration of Auditors**

	2017	2016
	\$	\$
<b>Fees for services provided</b>		
Financial statement audit services	87,600	87,600
Performance audit services	109,091	38,998
<b>Total</b>	<b>196,691</b>	<b>126,598</b>

Under clause 1 of Schedule 2 to the *Auditor-General Act 1997*, Mr Peter van Dongen was appointed as Independent Auditor for the term 12 June 2014 to 1 January 2019. Mr van Dongen is appointed in a personal capacity and he performed no other services for the ANAO.

In 2016–17, the Independent Auditor commenced a performance audit of the ANAO's cyber security processes.



# Part 6—Appendices

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## Appendix 1

## Executive Board of Management members

**Table A1.1** Standing Membership of the Board at 30 June 2017

Board member	Position
Mr Grant Hehir	Auditor-General, Chair
Ms Rona Mellor PSM	Deputy Auditor-General
Ms Carla Jago	Group Executive Director—Practice Management, Assurance Audit Services Group
Dr Tom Ioannou	Group Executive Director—Defence and Finance Performance, Performance Audit Services Group
Mr Michael White	A/g Group Executive Director—Practice Management, Performance Audit Services Group
Ms Jane Meade	Group Executive Director—Professional Services and Relationships Group
Ms Deborah Rollings	Senior Executive Director, Corporate Management Branch
Ms Sue Knox	Chief Finance Officer, Corporate Management Branch

## Appendix 2 Staffing information

**Table A2.1** Staffing profile (headcount) at 30 June 2017 and 2016

Classification	2017	2016
SES Band 3	1	2
SES Band 2	4	5
SES Band 1	19	21
EL2	63	75
EL1	58	54
APS6	57	68
APS5	39	39
APS4	38	35
APS3	14	15
APS2	5	5
APS1 (Undergraduate)	9	8
Graduate	29	18
<b>Total</b>	<b>336</b>	<b>345</b>

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

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

**Table A2.2** Paid operative staff (employed under the *Public Service Act 1999*) at 30 June 2016 and 2017.

Location	2017			2016		
	Audit	Non-audit	Total	Audit	Non-audit	Total
Canberra	247	64	311	256	59	315
<b>Total</b>	<b>247</b>	<b>64</b>	<b>311</b>	<b>256</b>	<b>59</b>	<b>315</b>

Note: Excludes 25 inoperative staff (five paid and 20 unpaid) as at 30 June 2017. Inoperative staff are defined as staff who are absent from work for more than 13 weeks.

**Table A2.3** Paid full-time, part-time and non-ongoing staff by gender at 30 June 2017

Classification	Full-time		Part-time		Non-ongoing		Total	
	M	F	M	F	M	F	M	F
SES Band 3	0	1	0	0	0	0	0	1
SES Band 2	2	2	0	0	0	0	2	2
SES Band 1	8	8	0	0	0	0	8	8
EL2	25	30	3	4	0	1	28	34
EL1	24	19	0	10	0	1	24	29
APS6	20	23	0	7	0	2	20	30
APS5	17	18	0	1	1	1	17	19
APS4	19	15	2	1	0	1	21	16
APS3	1	12	0	1	1	7	1	13
APS2	2	0	0	2	1	0	2	2
Graduate	13	16	0	0	0	0	13	16
<i>Subtotal</i>	<i>131</i>	<i>144</i>	<i>5</i>	<i>26</i>	<i>3</i>	<i>13</i>	<i>136</i>	<i>170</i>
<b>Total</b>	<b>275</b>		<b>31</b>		<b>16</b>		<b>306</b>	

APS = Australian Public Service; EL=Executive Level; SES=Senior Executive Service; M=Male; F=Female.

Note: Includes all operative and five paid inoperative staff, excluding 20 inoperative staff that were on leave without pay and 10 casual employees. Inoperative staff are defined as staff who are absent from work for more than 13 weeks. Non-ongoing staff are included in the full-time or part-time totals.



**Table A2.4** Turnover by classification level, by quarter at 30 June 2017

Classification	Quarter 1 (July–Sept 2016)	Quarter 2 (Oct–Dec 2016)	Quarter 3 (Jan–March 2017)	Quarter 4 (Apr–June 2017)
SES Band 3	0.00%	50.00%	0.00%	0.00%
SES Band 2	0.00%	0.00%	20.00%	20.00%
SES Band 1	4.55%	8.70%	13.04%	0.00%
EL2	9.23%	1.49%	5.97%	8.62%
EL1	1.75%	1.64%	3.51%	1.72%
APS6	5.00%	6.45%	4.76%	8.77%
APS5	6.06%	11.11%	18.42%	5.88%
APS4	2.94%	6.25%	3.33%	7.14%
APS3	9.09%	18.18%	33.33%	0.00%
APS2	0.00%	0.00%	33.33%	0.00%
APS1	0.00%	0.00%	0.00%	0.00%
Graduate	0.00%	0.00%	4.35%	0.00%

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

Note: These statistics are based upon all on-going staff employed by the ANAO.

**Table A2.5** Salary ranges available for APS employees by classification level at 30 June 2017

Classification	Salary range (\$)
EL2	116,527–145,430
EL1	101,476–114,353
APS6	82,683–95,032
APS5	74,631–81,325
APS4	64,976–71,413
APS3	59,771–64,640
APS2	54,904–59,770
APS1	45,165–54,903
Graduate	59,771–71,413

APS = Australian Public Service; EL=Executive Level.

## Non-salary benefits

Where there is a demonstrated business need, the ANAO provides the Senior Executive Service (SES) and some APS staff with a mobile phone, tablet, laptop and/or airline lounge membership. The ANAO also offers reimbursement to staff for spectacles and professional membership fees.

**Table A2.6** Performance payments in 2016–17

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	13	143,458	11,035	4,743	20,193
EL2	5	45,366	9,073	7,997	9,980
EL1	5	37,766	7,553	6,964	7,848
APS6	2	12,476	6,238	5,954	6,522
APS5	3	15,517	5,172	5,122	5,273
APS4	1	4,459	4,459	4,459	4,459
APS1–3	0	0	0	0	0
Total	29	259,041.61			

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

**Table A2.7** Summary of performance ratings for the period ending 31 October 2016

Classification broadband	Substantially Exceeds Expectations	Exceeds Expectations	Meeting Expectations	Not Meeting Expectations	Total
ANAO Bands 4 and 5 (EL1 and EL2)	10	44	58	0	112
ANAO Bands 1 to 3 (APS1–6)	6	45	73	0	124
Total	16	89	131	0	236
Proportion of total eligible staff	7%	38%	55%	0%	

APS = Australian Public Service; EL=Executive Level.

## Appendix 3 Joint Committee of Public Accounts and Audit reports

The Joint Committee of Public Accounts and Audit (the Committee) is constituted by the *Public Accounts and Audit Committee Act 1951*. The Committee initiates its own inquiries into public administration matters and can conduct inquiries into matters referred to it by either House of Parliament.<sup>16</sup>

In 2016–17, the Committee completed the following inquiries and reports relating to the ANAO:

- ▶ *Report 459: Annual Report 2015–16* was tabled on 9 November 2016 and noted the following duties:
  - overseeing the Australian National Audit Office (ANAO);
  - overseeing the Public Governance, Performance and Accountability Act 2013 (PGPA Act);
  - overseeing the Parliamentary Budget Office (PBO);
  - scrutinising Defence acquisition and sustainment; and
  - external engagement, communication, and considering broader aspects of public administration.
- ▶ *Report 460: Public Sector Governance — Inquiry based on Auditor-General's report 29 (2015–16)* was tabled on 16 February 2017 and reviewed the following report:
  - ANAO Report No. 29 (2015–16) *Implementing the Deregulation Agenda: Cutting Red Tape*.
- ▶ *Report 461: Commonwealth Risk Management — Inquiry based on Auditor-General's report 18 (2015–16)* was tabled on 10 May 2017 and reviewed the following report:
  - ANAO Report No. 18 (2015–16) *Qualifying for the Disability Support Pension*.
- ▶ *Report 462: Commonwealth Infrastructure Spending — Inquiry based on Auditor-General's reports No. 14 (2015–16) and No. 38 (2016–17)* was tabled on 21 June 2017 and reviewed the following reports:
  - ANAO Report No. 14 (2015–16): *Approval and Administration of Commonwealth Funding for the East West Link Project*; and
  - ANAO Report No. 38 (2016–17): *The Approval and Administration of Commonwealth Funding for the WestConnex Project*.

These reports are available for download from the Parliament of Australia website: [www.aph.gov.au](http://www.aph.gov.au).

16 [http://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public\\_Accounts\\_and\\_Audit](http://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit) [accessed 20 July 2017].

## Appendix 4 Other management issues

### Assets management

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

### Purchasing and procurement

The ANAO's procurement practices are designed to protect the interests of the Australian Government.

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

The ANAO's Procurement Plan is published annually and available from the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au). The plan is updated when circumstances change.

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

The ANAO also participates in a number of collaborative procurement arrangements with other agencies, such as the ICT Hardware Panel, led by the Digital Transformation Agency and the Legal Services Multi-Use List, run by the Attorney-General's Department.

All tenders and contractual arrangements undertaken in 2016–17 were carried out in accordance with the *Commonwealth Procurement Rules*.

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

The ANAO held no contract to the value of \$100,000 or more that did not provide for the Auditor-General to have access to the contractor's premises.

## Consultants

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

- ▶ investigate or diagnose a defined issue or problem;
- ▶ carry out defined research reviews or evaluations;
- ▶ provide independent advice, information or creative solutions; and
- ▶ provide specialised services, including assistance with the development and/or implementation of purpose-built IT systems, and legal advice.

The major competitive tendering and contracting activities in 2016–17 were to obtain professional skills to assist with certain financial statement and performance audits.

During 2016–17, 29 new consultancy contracts were entered into involving total actual expenditure of \$0.734 million (including GST). In addition, 12 ongoing consultancy contracts were active during 2016–17, involving a total actual expenditure of \$0.427 million.

Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of ANAO's contracts and consultancies is available on the AusTender website: [www.tenders.gov.au](http://www.tenders.gov.au).

## Procurement initiatives to support small business

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

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

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

## Advertising and market research

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2016–17. The ANAO did not make any payments to direct mail organisations or polling organisations.

Payments over \$13,000 (including GST) to market research organisations and media advertising organisations, incurred in the course of audit and assurance reviews, are set out in Table A4.1.

**Table A4.1** Payments over \$13,000 (including GST) to advertising agencies, market research organisations, polling organisations, direct mail organisations and media advertising organisations, 2016–17

Organisation	Service period	Payments (\$)
ORIMA Research (market research organisation)	Online survey to assist assurance audit	49,753
	Online survey to assist performance audit	34,155
ORIMA Research (market research organisation)	Analysis – state of the service employee census reporting	48,960

## Grant programs

The ANAO does not administer any grant programs.

## Environmental protection and biodiversity conservation

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

### *Contribution to ecologically sustainable development*

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

### *Environmental strategy*

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

### *Effect of activities on the environment*

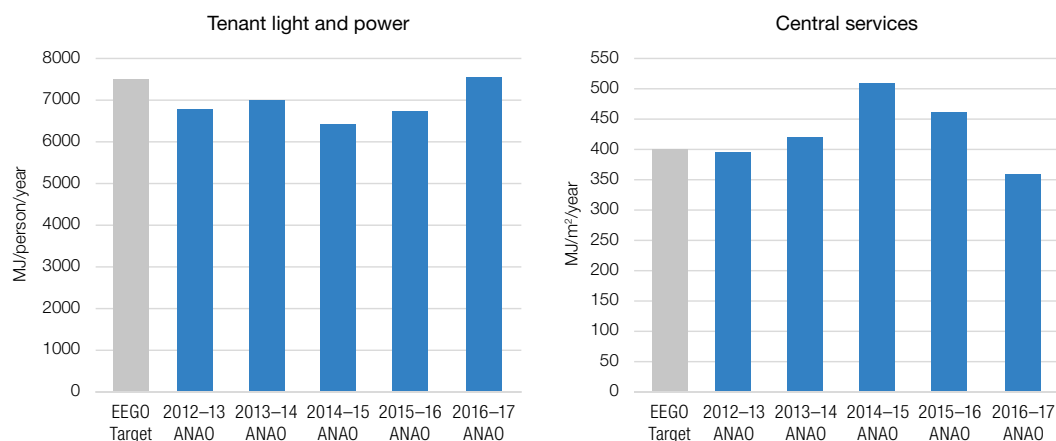
The ANAO monitors its energy and water usage and waste management, as core indicators of the effect of its activities on the environment.

### *Energy*

The Australian Government's EEGO policy aims to reduce the energy consumption of Australian Government operations with particular emphasis on building energy efficiency. The EEGO Policy is administered by the Department of the Environment and Energy.

Figure A4.1 compares the ANAO's tenant light and power use and central services with the EEGO target figures.

**Figure A4.1** Tenant light and power and central services, 2012–13 to 2016–17



EEGO = Energy Efficiency in Government Operations; MJ—megajoules.

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

The EEGO Policy sets energy intensity targets of 7,500 megajoules per person per year for tenant light and power; and 400 megajoules per square metre per year for central services.

During 2016–17, the ANAO's tenant light and power use averaged 7547 megajoules per person, which was 47 megajoules per person above the EEGO target of 7500 megajoules. The ANAO's central services energy usage, for the same period, was 359 megajoules per square metre. This was a decrease of 102 megajoules per square metre compared to the result for 2015–16.

The ANAO holds regular discussions with the lessor of its Barton office with the aim of improving the overall environmental performance of the premises.

### ***Water and waste***

Based on occupied building floor area, the ANAO's building water use intensity was 0.77 kilolitres per square metre in 2016–17 compared with 0.79 kilolitres per square metre in 2015–16. This result equates to a four-and-a-half star National Australian Built Environment Rating System<sup>17</sup> (NABERS) water rating, which is considered 'Good Performance'.

17 The National Australian Built Environment Ratings System (NABERS) is a performance-based environmental impact rating system for existing buildings.

Details of the disposal of ANAO's waste, is provided at Table A4.2.

**Table A4.2** Waste, quantity and disposal, 2015–16 to 2016–17

Type of waste	Disposal method	Quantity (tonnes)	
		2016–17	2015–16
Co-mingled recyclable	Recycling	24.6	27.2
General	Landfill	6.2	10.0
Organic	Recycling	2.3	2.3
Paper	Recycling	10.0	10.2

## Disability reporting

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007–08, reporting on the employer role was transferred to the Australian Public Service Commission's State of the Service Report and the APS Statistical Bulletin. These reports are available on the Commission's website: [www.apsc.gov.au](http://www.apsc.gov.au). Since 2010–11, departments and agencies have no longer been required to report on these functions.

The Commonwealth Disability Strategy has been overtaken by the National Disability Strategy 2010–2020, which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the strategy and present a picture of how people with disability are faring. Further information is available on the Department of Social Services website: [www.dss.gov.au](http://www.dss.gov.au).

## Freedom of information

The *Auditor-General Act 1997* provides the Auditor-General with an exemption from the provisions of the Freedom of Information Act 1982. Performance audits, assurance reviews and audit opinions are tabled in the Parliament and/or published on the ANAO's website: [www.anao.gov.au](http://www.anao.gov.au).

## Service charter

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



## Appendix 5 Transparency reporting

**Table A5.1** Transparency reporting

Prescribed Information	Coverage in the 2016–17 Annual Report
Description of the auditor's legal structure and ownership	The 'Role' section of Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO. Refer to page 13
Description of the auditor's governance structure	The governance section of Part 3 details the corporate governance framework of the ANAO. Refer to page 17.
Description of the auditor's internal quality control system	Criterion 19 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements. Refer to page 56.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	Criterion 19 of the Annual Performance Statement details the ANAO's internal quality framework and internal audit and quality assurance arrangements. Refer to page 56.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	<p>The 'External scrutiny' section of Part 3 details the bodies that are authorised to review the work of the ANAO and the external review commenced during the year. Refer to page 30.</p> <p>Appendix 3 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit (JCPAA). Refer to page 99.</p>
The names of the bodies for which the auditor conducted an audit in the reporting year	<p>The year-end report to the Parliament on audits of financial statements (ANAO Report No.33 2016–17) lists all entities for which financial statement audits were conducted during 2016–17.</p> <p>Information on all audits tabled by the Auditor-General in the Parliament during 2016–17 is available on the ANAO website: <a href="http://www.anao.gov.au">www.anao.gov.au</a></p>
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Ethical standards and independence' section of Part 3 details the ANAO's independence framework for audit professionals. Refer to page 27.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Enhancing the capability of our staff' section of Part 3 details the ANAO's education framework for audit professionals. Refer to page 23.
Financial information for the auditor for the reporting year	<p>The 'Report on financial performance' section of Part 4 provides an overview of the ANAO's financial results. Refer to pages 59 to 61.</p> <p>The ANAO's audited financial statements are in Part 5. Refer to page 63.</p>
Information on the basis for remuneration of the auditor's senior managers	The 'ANAO employment arrangements' section of Part 3 details the ANAO's arrangements for performance assessment and performance pay and senior executive remuneration. Refer to page 26.

Note: The Prescribed Information is based on the items set out in Schedule 7A of the Corporations Regulations 2001.

## Appendix 6

# Entity resource statement and expenses by outcome

## Entity resource statement

**Table A6.1** Entity resource statement 2016–17

	Actual available appropriations	Payments made	Balance remaining
	2016–17 (\$'000)	2016–17 (\$'000)	2016–17 (\$'000)
<b>Ordinary annual services</b>			
Departmental appropriations <sup>a</sup>	116,645	76,973	39,672
Total ordinary annual services	116,645	76,973	39,672
<b>Special appropriations</b>			
Auditor-General remuneration and expense, as per the <i>Auditor-General Act 1999</i> , Schedule 1, sections 3 and 7	709	709	-
Total special appropriations	709	709	-
<b>Total resourcing and payments</b>	<b>117,354</b>	<b>77,682</b>	<b>39,672</b>

Note a: *Appropriation Bill (No. 1) 2016–17*, prior year departmental appropriation and section 74 receipts.

## Expenses by outcome

**Table A6.2** ANAO's summary of total expenses for Outcome 1, 2016–17

	Budget 2016–17 (\$'000) <sup>a</sup>	Actual expenses 2016–17 (\$'000)	Variation 2016–17 (\$'000)
<i>Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public.</i>			
<b>Program 1.1: Assurance Audit Services</b>			
<i>Departmental expenses</i>			
Departmental appropriation <sup>b</sup>	46,087	44,670	1,417
Special appropriation	360	355	5
Expenses not requiring appropriation in the Budget year	1,005	1,036	(31)
<b>Total for Program 1.1</b>	<b>47,452</b>	<b>46,061</b>	<b>1,391</b>
<b>Program 1.2: Performance Audit Services</b>			
<i>Departmental expenses</i>			
Departmental appropriation	30,056	27,337	2,719
Special appropriation	360	354	6
Expenses not requiring appropriation in the Budget year	881	956	(75)
<b>Total for Program 1.2</b>	<b>31,297</b>	<b>28,647</b>	<b>2,650</b>
<b>Total for Outcome 1</b>	<b>78,749</b>	<b>74,708</b>	<b>4,041</b>
		2016–17	2015–16
<b>Average staff level (number)</b>		<b>312</b>	<b>322</b>

Note a: Full year budget, including any subsequent adjustment made to the 2016–17 Budget.

Note b: Departmental appropriation combines 'Ordinary annual services (Supply Bill (No. 1) and Appropriation Act (No. 1))' and 'Revenue from independent sources (s.74 of the PGPA Act)'.

## Appendix 7    Contact Directory

**Street Address:**

19 National Circuit  
BARTON ACT 2600

**Postal Address:**

GPO Box 707  
CANBERRA ACT 2601

**Phone:** (02) 6203 7300

**Website:** [www.anao.gov.au](http://www.anao.gov.au)

**Email:** [communication@anao.gov.au](mailto:communication@anao.gov.au)

# Part 7 — References

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## Abbreviations list

AASB	Australian Accounting Standards Board
AC	Companion of the Order of Australia
ACAG	Australasian Council of Auditors-General
AGO	Papua New Guinea Auditor-General's Office
ANAO	Australian National Audit Office
APS	Australian Public Service
APSC	Australian Public Service Commission
ASOSAI	Asian Organization of Supreme Audit Institutions
AUASB	Auditing and Assurance Standards Board
BPK	The Audit Board of Indonesia (Badan Pemeriksa Keuangan)
CFO	Chief Finance Officer
CFS	Consolidated Financial Statements
CPD	continuous professional development
DCA	Diversity Council Australia
DCO	Diversity Contact Officer
Defence	Department of Defence
EEGO	Energy Efficiency in Government Operations
FOI Act	Freedom of Information Act 1982
Future Ready	Future Ready Change Program
GBE	Government Business Enterprises
GGs	General Government Sector
GPF	Australia Indonesia Government Partnerships Fund
GST	goods and services tax
ICT	information and communications technology
INTOSAI	International Organization of Supreme Audit Institutions
IT	information technology

JCPAA	Joint Committee of Public Accounts and Audit
MP	Member of Parliament
NABERS	National Australian Built Environment Rating System
NAIDOC	National Aborigine and Islanders Day Observation Committee
PASAI	Pacific Association of Supreme Audit Institutions
PBO	Parliamentary Budget Office
PDSS	Project Data Summary Sheet
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PSM	Public Service Medal
QA	quality assurance
RAP	Reconciliation Action Plan
RFI	Request for Information
SAls	supreme audit institutions
SES	Senior Executive Service
SGP	Strongim Gavman Program
SME	Small and Medium Enterprises
WCF	Workplace Consultative Forum
WHS	Work health and safety

## List of requirements

Section 17AJ(d) of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) requires the following list of requirements be included in the annual report as an aid of access.

PGPA Rule Reference	Location in report	Description	Requirement
<b>17AD(g)</b>	<b>Letter of transmittal</b>		
17AI	111	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory
<b>17AD(h)</b>	<b>Aids to access</b>		
17AJ(a)	5	Table of contents.	Mandatory
17AJ(b)	117	Alphabetical index.	Mandatory
17AJ(c)	109–110	Glossary of abbreviations and acronyms.	Mandatory
17AJ(d)	111–115	List of requirements.	Mandatory
17AJ(e)	4, 108	Details of contact officer.	Mandatory
17AJ(f)	4, 108	Entity's website address.	Mandatory
17AJ(g)	4	Electronic address of report.	Mandatory
<b>17AD(a)</b>	<b>Review by accountable authority</b>		
17AD(a)	7–11	A review by the accountable authority of the entity.	Mandatory
<b>17AD(b)</b>	<b>Overview of the entity</b>		
17AE(1)(a)(i)	13–15	A description of the role and functions of the entity.	Mandatory
17AE(1)(a)(ii)	16	A description of the organisational structure of the entity.	Mandatory
17AE(1)(a)(iii)	14	A description of the outcomes and programmes administered by the entity.	Mandatory
17AE(1)(a)(iv)	13	A description of the purposes of the entity as included in corporate plan.	Mandatory
17AE(1)(b)	N/A	An outline of the structure of the portfolio of the entity.	Portfolio departments — mandatory
17AE(2)	N/A	Where the outcomes and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change.	If applicable, Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
<b>17AD(c)</b>	<b>Report on the Performance of the entity</b>		
	<i>Annual performance statements</i>		
17AD(c)(i); 16F	33–57	Annual performance statement in accordance with paragraph 39(1)(b) of the Act and section 16F of the Rule.	Mandatory
<b>17AD(c)(ii)</b>	<i>Report on Financial Performance</i>		
17AF(1)(a)	59–61	A discussion and analysis of the entity's financial performance.	Mandatory
17AF(1)(b)	106	A table summarising the total resources and total payments of the entity.	Mandatory
17AF(2)	N/A	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results.	If applicable, Mandatory.
<b>17AD(d)</b>	<b>Management and Accountability</b>		
	<i>Corporate Governance</i>		
17AG(2)(a)	3	Information on compliance with section 10 (fraud systems)	Mandatory
17AG(2)(b)(i)	3	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared.	Mandatory
17AG(2)(b)(ii)	3	A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place.	Mandatory
17AG(2)(b)(iii)	3	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity.	Mandatory
17AG(2)(c)	17–32	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance.	Mandatory
17AG(2)(d) – (e)	28	A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance.	If applicable, Mandatory
	<i>External Scrutiny</i>		
17AG(3)	30–31	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny.	Mandatory
17AG(3)(a)	30–31	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity.	If applicable, Mandatory
17AG(3)(b)	30–31	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the Act), a Parliamentary Committee, or the Commonwealth Ombudsman.	If applicable, Mandatory



PGPA Rule Reference	Location in report	Description	Requirement
17AG(3)(c)	31	Information on any capability reviews on the entity that were released during the period.	If applicable, Mandatory
<i>Management of Human Resources</i>			
17AG(4)(a)	22–25	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives.	Mandatory
17AG(4)(b)	25, 95–96	Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following: <ul style="list-style-type: none"> <li>• Statistics on staffing classification level;</li> <li>• Statistics on full-time employees;</li> <li>• Statistics on part-time employees;</li> <li>• Statistics on gender;</li> <li>• Statistics on staff location;</li> <li>• Statistics on employees who identify as Indigenous.</li> </ul>	Mandatory
17AG(4)(c)	26	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i> .	Mandatory
17AG(4)(c)(i)	26	Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c).	Mandatory
17AG(4)(c)(ii)	97	The salary ranges available for APS employees by classification level.	Mandatory
17AG(4)(c)(iii)	98	A description of non-salary benefits provided to employees.	Mandatory
17AG(4)(d)(i)	98	Information on the number of employees at each classification level who received performance pay.	If applicable, Mandatory
17AG(4)(d)(ii)	98	Information on aggregate amounts of performance pay at each classification level.	If applicable, Mandatory
17AG(4)(d)(iii)	98	Information on the average amount of performance payment, and range of such payments, at each classification level.	If applicable, Mandatory
17AG(4)(d)(iv)	98	Information on aggregate amount of performance payments.	If applicable, Mandatory
<i>Assets Management</i>			
17AG(5)	100	An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities.	If applicable, mandatory
<i>Purchasing</i>			
17AG(6)	100	An assessment of entity performance against the Commonwealth Procurement Rules.	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
<i>Consultants</i>			
17AG(7)(a)	101	A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST).	Mandatory
17AG(7)(b)	101	A statement that "During [reporting period], [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]".	Mandatory
17AG(7)(c)	101	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged.	Mandatory
17AG(7)(d)	101	A statement that "Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website."	Mandatory
<i>Australian National Audit Office Access Clauses</i>			
17AG(8)	N/A	If an entity entered into a contract with a value of more than \$100 000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory
<i>Exempt contracts</i>			
17AG(9)	N/A	If an entity entered into a contract or there is a standing offer with a value greater than \$10 000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory
<i>Small business</i>			
17AG(10)(a)	101	A statement that "[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website."	Mandatory
17AG(10)(b)	101	An outline of the ways in which the procurement practices of the entity support small and medium enterprises.	Mandatory

PGPA Rule Reference	Location in report	Description	Requirement
17AG(10)(c)	101	If the entity is considered by the Department administered by the Finance Minister as material in nature—a statement that “[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury’s website.”	If applicable, Mandatory
17AD(e)	<i>Financial Statements</i>		
17AD(e)	63–91	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act.	Mandatory
17AD(f)	Other Mandatory Information		
17AH(1)(a)(i)	N/A	If the entity conducted advertising campaigns, a statement that “During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”	If applicable, Mandatory
17AH(1)(a)(ii)	101	If the entity did not conduct advertising campaigns, a statement to that effect.	If applicable, Mandatory
17AH(1)(b)	N/A	A statement that “Information on grants awarded to [name of entity] during [reporting period] is available at [address of entity’s website].”	If applicable, Mandatory
17AH(1)(c)	104	Outline of mechanisms of disability reporting, including reference to website for further information.	Mandatory
17AH(1)(d)	104	Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found.	Mandatory
17AH(1)(e)	N/A	Correction of material errors in previous annual report	If applicable, mandatory
17AH(2)	102–104	Information required by other legislation	Mandatory



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