



ASIC
Australian Securities &
Investments Commission

Australian National Audit Office

Audit inspection report

1 July 2020 to 30 June 2021

August 2021

About this report

This report sets out:

- Findings from our review of key areas in three audits of financial reports for the year ended 30 June 2020 conducted by the Australian National Audit Office (ANAO) and
- better practice recommendations from our reviews of aspects of the ANAO's quality control processes relating to audits of financial reports during the 12 months to 30 June 2021.

Introduction

This report summarises our findings from:

- › reviews of key areas in three audits of financial reports for the year ended 30 June 2020 conducted by the ANAO. Our reviews were conducted using ASIC's methodology for inspections of private sector audits;
- › a review of the ANAO's policies and processes for evaluating independence threats and safeguards where non-audit services are provided by a firm contracted to provide audit services on behalf of the ANAO; and
- › a review of outcomes from the ANAO's second year of conducting a program of root cause analysis in response to internal monitoring findings.

This report:

- › should not be taken to provide assurance that the ANAO's audits and systems, or audited financial reports, are free of other deficiencies not identified in this report; and
- › may be released to the public in full. The report should not be quoted or summarised by the ANAO in any other publication without reference to a website where the full report is publicly available.

The reviews were undertaken by staff in ASIC's Financial Reporting & Audit team with no involvement in financial reporting by ASIC. These staff reported to the Auditor-General in relation to the reviews, not the Commissioners of ASIC.

Our findings

In our view, the ANAO did not obtain reasonable assurance that the financial report was free of material misstatement in the key audit areas summarised in Table 1. This should not be taken to infer that the financial report was materially misstated, but rather that the auditor did not obtain sufficient evidence to support their opinion.

Table 1: Audit review findings—Risk of material misstatement

Entity	Areas with findings	Findings
Entity A	3 of the 3 key areas reviewed	<ul style="list-style-type: none">• <i>Valuation of land and buildings</i> - The auditor did not adequately evaluate the objectivity of, and the methodology and assumptions used by, management's external valuer.• <i>Revenue</i> - The auditor relied on a recalculation of revenue, without adequately testing data for completeness and accuracy.• <i>Salaries and wages</i> - The auditor relied on controls tested in the prior year, tested one key control and performed a high level substantive analytical procedure even though the entity had a recent history of poor human resources governance and payroll underpayments which were recalculated by the auditor.

Entity B	1 of the 3 key areas reviewed	<ul style="list-style-type: none"> • <i>Commitments</i> - The auditor did not obtain sufficient evidence that the non-disclosure of a material future commitment in administered items was in accordance with the applicable reporting framework.
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Non-audit services provided by contracted firms

During the 12 months to 30 June 2021, we reviewed the ANAO's policies for assessing the independence of audit firms that conduct outsourced audit work for the ANAO also provide non-audit services to the audited entity. We reviewed a sample of the assessment documents.

Table 2: Better practice recommendations

Area	Better practice recommendation
Non-audit services	<ul style="list-style-type: none"> • The ANAO should ensure that documents describing non-audit services to be provided by contracted firms and the ANAO's assessment of whether providing those services are consistent with auditor independence requirements are sufficiently clear on the nature of the services and evidence that a proper evaluation was made to support the conclusion reached

We did not have any recommendations from our reviews of the ANAO's second year of conducting root cause analysis on findings from internal reviews of audits.

Further information

More information on the matters in Table 1 and Table 2 is contained in detailed comment forms provided separately to the ANAO. The comment forms include the ANAO's responses to our findings.

Disclaimer

This report does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.