

Australian National Audit Office

ANNUAL REPORT 2021–22

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16 August 2022

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

Dear President
Dear Speaker

In accordance with section 28 of the *Auditor-General Act 1997* and section 46 of the *Public Governance, Performance and Accountability Act 2013*, I present to the Parliament my report on the activities of the Australian National Audit Office (ANAO) for the year ended 30 June 2022.

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

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

Following the tabling of the Australian National Audit Office Annual Report 2021–22, the report will be available on the ANAO's website, anao.gov.au.

Yours sincerely

A handwritten signature in black ink that reads 'Grant Hehir'.

Grant Hehir
Auditor-General

About this report

This annual report documents the performance of the Australian National Audit Office (ANAO) in the financial year ended 30 June 2022.

The report addresses all applicable obligations under the *Public Governance, Performance and Accountability Act 2013*; the Public Governance, Performance and Accountability Rule 2014; the *Auditor-General Act 1997*; the performance measures set out in the outcome and programs framework in the ANAO's Portfolio Budget Statements 2021–22 and the ANAO Corporate Plan 2021–22; and annual reporting requirements set out in other relevant legislation.

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

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

Part 3 outlines our performance framework and provides the ANAO's report on performance for 2021–22, consisting of our annual performance statements and the report on financial performance.

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

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

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

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

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

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Part 1 — Foreword by the Auditor-General

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

A year in review

In March 2022, the JCPAA concluded the 2020 review of the *Auditor-General Act 1997* (the Act) and presented *Report 491: Review of the Auditor-General Act 1997*. The issue of the Auditor-General's independence is a clear and significant theme throughout the report. The JCPAA noted it is vital that the Act remains fit for purpose — specifically, that the Act must continue to ensure the Auditor-General's independence and remit, establish clear processes, and interact consistently with other legislation. The report made 27 recommendations, including amendments to the Act and related legislation. I believe the report by the JCPAA provides a positive foundation to strengthen the independence of the Auditor-General. There would be value in timely government consideration of the report's recommendations.

Further, throughout the inquiry, the JCPAA showed an interest in the collection of evidence in the ANAO's work with the emergence of new technology within the public sector. In February 2022, the ANAO provided an additional submission to the JCPAA outlining the complexities related to the Auditor-General's information-gathering powers (sections 32 and 33 of the Act), and the potential for legislative amendments to modernise and clarify how information is requested and gathered under those powers. More broadly, I have observed increasing complexities associated with auditing in a contestable environment — specifically the shift towards government and service provider information being held not only as commercial-in-confidence, but at increasingly higher levels of security classification. There have also been more issues being raised regarding the protection of personal information. Impediments, or perceived barriers, to this access represent a challenge to the audit process.

The role of the auditor will always be focused on transparency, and providing the information necessary to assist the Parliament in holding the executive arm of government to account. The efficient collection of sufficient and appropriate information — to form substantive, accurate, evidence-based conclusions — is critical to our work. Preserving and refreshing the Auditor-General's information-gathering powers in the shifting environment of the public service remains a key issue for the ANAO.

As part of the Budget 2021–22, the government announced additional funding for the ANAO. Across the year, we utilised this funding to support the delivery of the ANAO's mandatory financial statements audits for inclusion within entities' annual reports, for the scrutiny of Parliament. The ANAO also began rebuilding performance audit capacity which had been reduced in prior years. The restoration of capability within this area will enable the ANAO to meet a target of 48 performance audits by 2024–25.

In addition, we continued the staged implementation of our performance statements auditing program, with the auditing of six government entities currently underway. We have also continued to look for efficiencies in how we meet ongoing quality, data analysis, evidence extraction and data storage requirements.

On 23 June 2022, the Australian Government issued changes to the Administrative Arrangements Orders, which resulted in the creation of two new departments — effective 1 July 2022. Mandatory auditing (both financial statements and the emerging performance statements program) of new departments may have an impact on the delivery of performance audits as planned in our forward years.

While the additional funding has alleviated some budgetary pressures in the delivery of our products, the increasing demand for audit-related expertise has led to a competitive recruitment environment, tight

labour market and increased costs associated with contracted staff. We have identified that maintaining resourcing requirements is a strategic risk for the organisation, across all audit disciplines.

In April 2022, we published *Audits of the Annual Performance Statements of Australian Government Entities — Pilot Program 2020–21*. The report reflected on the outcome of the ANAO's annual performance statements audit pilot program, and the ANAO's preparation for the staged implementation of an annual performance statements assurance audit program.

Performance statements auditing represents an important change for the sector — as its implementation will improve the performance reporting to Parliament and provide assurance of its reliability. The roll-out of the program has identified areas of improvement for both the sector and the ANAO. In the entities audited so far, we have observed challenges in developing a sound evidence base for measuring performance targets, and difficulties in building the internal capability required to compile reliable information to support performance statements reporting. For the ANAO, adapting to a new methodology and working with entity functions unfamiliar with audit processes has been challenging. We recognise that we need to build familiarity with this new methodology and audit function within the sector, in addition to establishing the right posture within the delivery of these audits. The program will remain a significant focus of the ANAO over the coming years.

While the ANAO's performance and financial audits point to many areas of high quality and effectiveness within the public sector, there continues to be evidence that the sector's approach to some core activities regularly falls short of expectations. This is especially prevalent in the areas of cybersecurity, procurement, and grants administration.

Cybersecurity has been an audit focus for the ANAO for many years. These audits continue to reveal deficiencies and risks across entities' cybersecurity environments. We have also observed optimism bias in reporting by entities, and little analysis or escalation of the success or otherwise of the policy framework to government. Given the extent of audit work undertaken and the evolving risk environment, it is fair to say these observations are disappointing.

Similarly, audits of procurements continue to identify issues in government administration. As a core public sector activity, procurement is regulated by mandatory rules set by the Minister for Finance, the Commonwealth Procurement Rules (CPRs). Despite this, our audits continue to find evidence of procurement activities which fall short of meeting the intent of these rules, thereby compromising the sector's ability to demonstrate value for money. This often includes the absence of open competition. Poor entity practices related to planning, record keeping, contract management, negotiation, risk management, and probity raise questions about whether the professionalisation of procurement should be a priority within the public sector. There is merit in focusing on both skill development and ethical mindset — that is, delivery against the intent of the framework being of equal importance as compliance with it.

Likewise, performance audits of grants administration indicate that there has not been consistent compliance with the intent of the Commonwealth Grants Rules and Guidelines (CGRGs). The ANAO's audit work has shown that advice to government has not always been robust — including insufficient attention to the authority of decision-makers and poor record-keeping in decision-making without assessment, or rationale for decisions being documented.

Report on performance

The ANAO's performance during 2021–22 is reported on in detail within Part 3: Report on Performance.

The ANAO's performance audit program continues to undertake audits to promote accountability, transparency and improvement in public administration. In 2021–22, the ANAO successfully carried out its Annual Audit Work Program (AAWP), presenting 40 performance audits to Parliament. In the delivery

of these performance audits, we achieved the intended coverage outlined in the program. The primary focus of ANAO performance audits was effectiveness and economy — specifically, the extent to which entities delivered on intended objectives and the value for money achieved in doing so.

In 2021–22, we also continued to deliver our multi-year, COVID-19 audit strategy. The ANAO tabled five COVID-19-related performance audits in 2021–22, and commenced a further two COVID-19-related performance audits for tabling in 2022–23. Audits of COVID-19 response activities concluded that public sector entities were largely effective in managing response activities. The key areas for improvement identified by the ANAO were in planning and preparedness for crisis.

Additionally, the ANAO published two *Audit Insights* reports, which serve to support the focus of the AAWP. Topics addressed were the effectiveness of entities' management of contractors, and service delivery through other entities.

In 2021–22, a total of 164 findings were reported to entities as a result of the 2020–21 financial statements audits. These comprised two significant, 21 moderate and 127 minor findings, as well as 14 legislative breaches. This is an increase in the number of findings compared to the 2019–20 financial statements audits.

The highest number of findings continue to be in the categories of IT security management and user access — in particular the management of privileged users, and accounting and control of non-financial assets. Similar to 2020–21, the continuation of findings in relation to IT controls further reinforces the poor delivery of fit-for-purpose cybersecurity within the sector. Additionally, there has also been an increase in legislative breaches in executive remuneration. Findings in governance at the top of some organisations is suggestive of cultures where entity staff may not feel permitted to raise concerns. The appropriate governance of remuneration and management of risk in the senior echelons of the public sector will continue to be a focus in financial statements work.

During 2021–22, the ANAO continued its performance statements audit pilot program, auditing the 2020–21 performance statements of the same three entities as in 2019–20: the Attorney-General's Department (AGD), the Department of Social Services (DSS) and the Department of Veterans' Affairs (DVA). These audits found that entities were largely compliant with the requirements of the performance framework, and fairly presented the performance of the organisation. However, there were some exceptions where specific measures did not meet those requirements. The ANAO made significant findings and reported exceptions as qualifications to our audit conclusion for 14.9 per cent of the three entities' performance measures. Qualifications and significant findings are not unexpected early in the delivery of a new audit program.

During 2021–22, the JCPAA conducted six inquiries based on its review of a total of 22 Auditor-General reports throughout the year, resulting in the tabling of four reports. The ANAO provided a total of three briefings, attended 10 public hearings, and made three submissions to assist the Committee in undertaking its functions. In addition to the support provided to the JCPAA, the ANAO further supported the work of the Parliament by providing submissions, information, assistance and briefings to parliamentarians and parliamentary committees. In 2021–22, the ANAO provided 10 briefings to parliamentarians and, in support of other parliamentary committee inquiries, attended nine public hearings, provided one briefing and eight submissions.

The year ahead

Auditing is an important profession. It is through our evidence-based, methodological disciplines that we are able provide assurance to the Parliament. Recognising the fast-paced, rapid-implementation, information-driven environment of the public service, the ANAO will continue to identify opportunities that will allow us to enhance delivery on our purpose, including through the sharing of insights on our work.

Over the next year, I look forward to continuing the staged implementation of performance statements auditing across an increasing number of entities. Engaging with the sector and adopting the right audit posture will be important for the ANAO, as we continue to drive improvement in the quality of performance information provided to the Parliament. Refining the performance statements audit methodology and continuing to pilot various approaches to completing these audits will also remain a focus for us — especially as we look to expand the program and share insights.

The importance of ethics in the use of resources continues to be highlighted within our audits, particularly relating to procurement and grants administration. The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires accountable authorities of Commonwealth entities to govern in a way that promotes the proper use and management of public resources. The Act defines proper use as 'efficient, effective, economical and ethical'. The ANAO is finalising the design of an appropriate audit framework against which to test entity compliance with ethical requirements.

In July 2022, to support our workforce requirements, we published a new workforce plan and announced our new integrated learning program — the ANAO Academy. The plan recognises the emerging trends within the recruitment environment, the need for us to cast our net wider for talent, and the potential to 'grow our own'. The challenge of recruiting and training the staff to deliver our audit products will continue to be a significant issue for the ANAO — where quality audits depend on highly trained, technical and specialist expertise.

The ANAO will also look towards refreshing our organisational strategy, Towards 2025. The strategy will capture the shifts we intend to make within the ANAO, over the next several years, to continue to effectively deliver quality audit services to the Parliament in a changing public service environment.

In December 2022, following the Federal Budget, the ANAO will review the Annual Audit Work Program to ensure our audit strategy remains appropriate to the emerging policy and risk environment. I look forward to maintaining effective and active engagement with parliamentarians and committees in the year to come.

Finally, I would like to recognise the important, ongoing engagement with our national and international audit peers — including the Australasian Council of Auditors-General, international supreme audit institutions and our bilateral partners, Indonesia and Papua New Guinea. In 2021–22, we continued to adapt our engagement strategy to ensure connection in an environment still impacted by the COVID-19 pandemic. I am hopeful that 2022–23 will bring further opportunities for the ANAO to share learnings within this professional auditing community.



Grant Hehir
Auditor-General

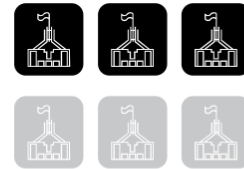
Performance measures achieved in 2021–22:



Program 1.1:
Assurance audit
services



Program 1.2:
Performance
audit services



Relationships,
corporate and
professional services



Completed **245**
mandated financial
statements audits

achieving the target of 100%

issuing **89%** of financial
statements auditor's reports
within three months of
reporting date

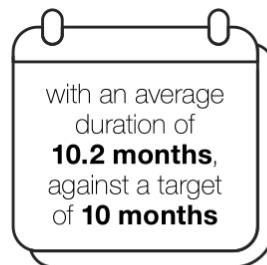


85%

Tabled **40**
performance
audit reports,
achieving the
target of **40**



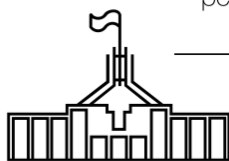
including five
COVID-19-related
performance audits



with an average
duration of
10.2 months,
against a target
of **10 months**



Completed **3**
performance
statements audit
reports against a
target of **3**



34

appearances and
submissions to the
Parliament, against
a target of **40**

1

submission

10

supplementary
submissions

7

public hearing
attendances

To support the JCPAA review of the
Auditor-General Act 1997

Part 2 — Overview of the ANAO

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

About the ANAO

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

Purpose

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

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

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

Role

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

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

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

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

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

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

The ANAO supports the Auditor-General in this role.

Values

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

Organisational structure

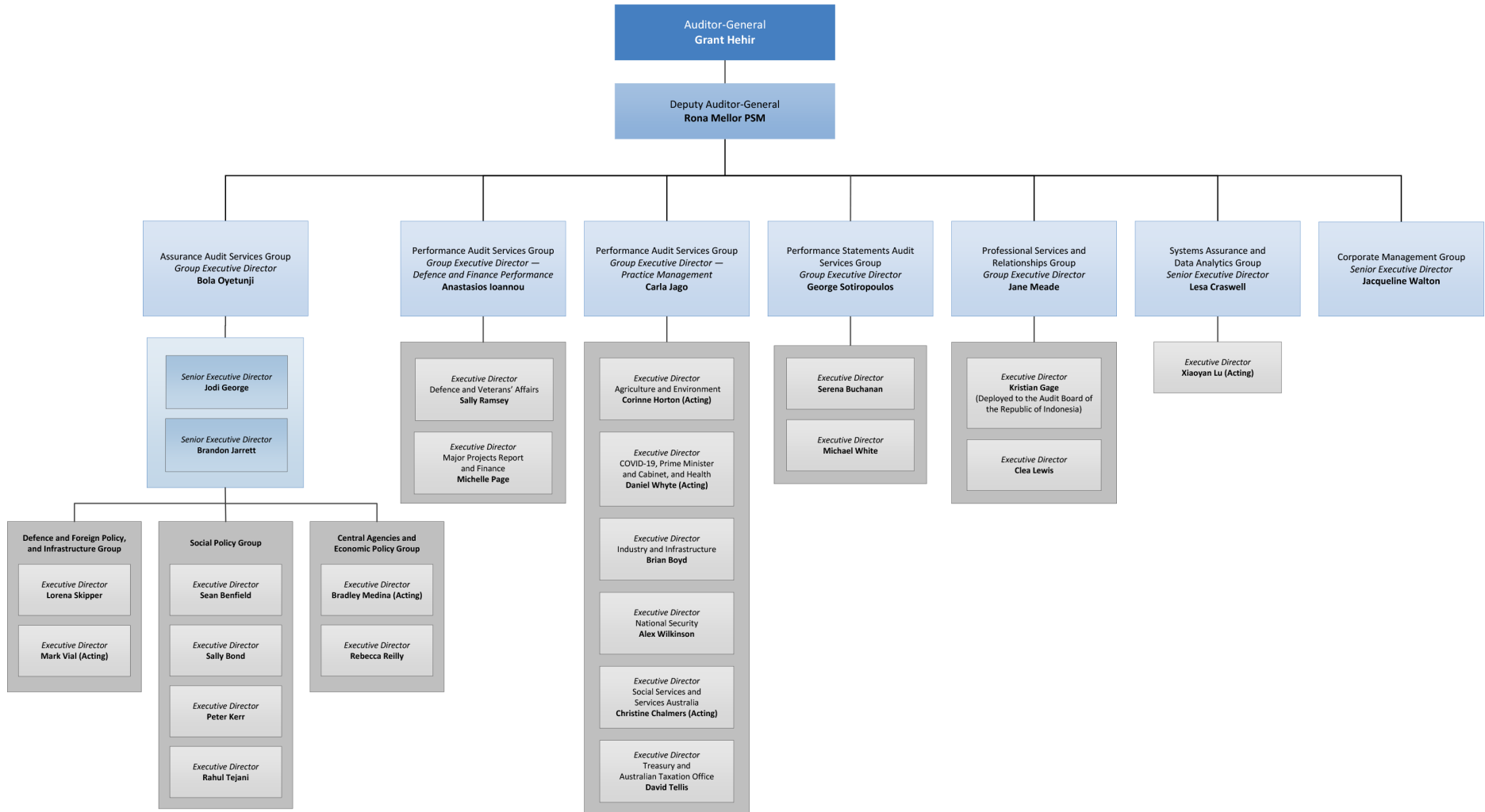
To deliver on its purpose, the ANAO is organised into six functional areas:

- **Assurance Audit Services Group**¹ provides independent assurance on the financial statements and financial administration of all Australian Government entities. It also conducts assurance reviews.
- **Corporate Management Group** leads corporate strategy and change for the ANAO. It provides services based on specialised knowledge, best practices and technology that enable the delivery of the ANAO's purpose and audit outcomes.
- **Performance Audit Services Group** conducts performance audits and assurance reviews of Australian Government entities and their activities, and produces related publications and other information reports.
- **Performance Statements Audit Services Group** conducts audits of Australian Government entities' performance statements and measures.
- **Professional Services and Relationships Group** provides technical accounting, audit and legal advice and support to the Auditor-General; establishes, manages and monitors the implementation of the quality assurance framework; and manages the ANAO's external relations.
- **Systems Assurance and Data Analytics Group** provides IT audit and data analytics support to the ANAO's assurance and performance audit work and other information reports.

The ANAO's organisational structure at 30 June 2022 is shown in Figure 2.1.

1 Assurance Audit Services Group will be renamed 'Financial Statements Audit Services Group' from 1 July 2022, consistent with the ANAO's Portfolio Budget Statements 2022–23.

Figure 2.1: Organisational structure at 30 June 2022



Relationships

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

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

The impact of the COVID-19 pandemic on the public sector auditing community continued to influence the ANAO's implementation of its engagement strategy and programs. This impacted the nature of engagement with international and national peers, with the continued use of virtual meetings and forums to exchange ideas and information, and to learn from and support audit offices in other nations.

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

Parliament

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

Joint Committee of Public Accounts and Audit

Among its responsibilities, the JCPAA considers the operations and resources of the ANAO, including the ANAO draft budget estimates, about which it makes recommendations to both houses of parliament. The JCPAA is required to review all ANAO reports that are tabled in the Parliament and to report the results of its deliberations to both houses of parliament. The committee's functions in relation to the ANAO are specified in the [Public Accounts and Audit Committee Act 1951](#). The JCPAA of the 46th Parliament commenced on 2 July 2019 and ceased on 11 April 2022 following the dissolution of the House of Representatives following the announcement of the federal election, which was held in May 2022.

The JCPAA conducted six inquiries on its review of Auditor-General reports throughout 2021–22, resulting in the tabling of four reports. Two inquiries lapsed due to the dissolution of the House of Representatives on 11 April 2022.

On 2 September 2020, the JCPAA resolved to undertake a review of the *Auditor-General Act 1997*. In 2021–22, the ANAO supported the review by attending three public hearings, making one primary submission and attending one private briefing. The JCPAA tabled Report 491 *Review of the Auditor-General Act 1997* on 31 March 2022. In its report, the JCPAA recognised the important role the ANAO plays in examining the expenditure and administration of government programs, and the ANAO's critical support for the work of the JCPAA and the Parliament. The report included 27 recommendations (six directed to the ANAO) going to matters related to independence and interaction of the *Auditor-General Act 1997* with other legislation.

In 2021–22, officers of the ANAO provided a total of three private briefings, attended 10 public hearings and made three submissions to assist the committee in undertaking its functions. An outline of inquiries and reports is provided in Table 2.1.

Table 2.1: JCPAA inquiries and reports

Inquiry status	Inquiry	Relevant Auditor-General reports
Concluded Report 486	Regulatory activities	No.33 of 2019–20 Tertiary Education Quality and Standards Agency’s Regulation of Higher Education No.47 of 2019–20 Referrals, Assessments and Approvals of Controlled Actions under the Environment Protection and Biodiversity Conservation Act 1999 No.48 of 2019–20 Management of the Australian Government’s Lobbying Code of Conduct — Follow-up Audit No.5 of 2020–21 Regulation of the National Energy Market No.8 of 2020–21 Administration of Financial Disclosure Requirements under the Commonwealth Electoral Act
Concluded Report 488	Commonwealth financial statements	No.25 of 2020–21 Audits of the Financial Statements of Australian Government Entities for the Period Ending 30 June 2020 No.40 of 2020–21 Interim Report on Key Financial Controls of Major Entities
Concluded Report 489	Defence Major Projects Report	No.19 of 2020–21 2019–20 Major Projects Report
Concluded Report 491	Review of the Auditor-General Act	N/A
Concluded Report 492	Governance in the stewardship of public resources	No.11 of 2019–20 Implementation of the Digital Continuity 2020 Policy No.31 of 2019–20 Management of Defence Housing Australia No.39 of 2019–20 Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy No.2 of 2020–21 Procurement of Strategic Water Entitlements No.9 of 2020–21 Purchase of the ‘Leppington Triangle’ Land for the Future Development of Western Sydney Airport

National relationships

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

Accountable authorities

Accountable authorities of Australian Government entities have primary responsibility for and control over public sector entities' operations. As such, the ANAO's work focuses on the duties and responsibilities of accountable authorities (including the proper use and/or management of public resources) and the governance frameworks that accountable authorities put in place in their entities. The ANAO engages with entities at a number of levels to strengthen relationships and promote improved financial reporting and public sector administration, including through attendance at entity audit committees.

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

The ANAO hosted a CFO forum in [November 2021](#) that was attended by approximately 85 CFOs and entity representatives. The forum was presented by webinar in response to COVID-19 restrictions. In the forum, the ANAO shared information about issues arising in audits and key focus areas of the audit program, and outlined insights and themes on the effectiveness of public administration. The ANAO published a recording of the webinar on its website after the live delivery.

Audit committees, as a requirement of the PGPA Act, play an important role in entities' governance frameworks. Audit committee chair forums were held in [July 2021](#) and [December 2021](#). In response to COVID-19 restrictions, the July forum was a hybrid event (online and in-person) with limited in-person attendees and the December forum was delivered entirely online. Invitations to the forums were extended to approximately 144 audit committee chairs and representatives. The forums provided an opportunity to share insights from the audit program, and relevant updates and information, to assist committees to meet the requirements of the PGPA Act and associated rules. The ANAO published a communique on its website after each forum.

Australasian Council of Auditors-General

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

Mentoring program

Following on from the ANAO's four-month, ACAG-supported pilot mentoring program with the Tonga Office of the Auditor General in 2020, the ANAO delivered a mentoring program in Papua New Guinea (PNG) using our twinning partner arrangement with the PNG Auditor-General's Office. The program is in two phases, with the initial four-month period (February to May 2022) having focused on one-on-one meetings to allow for the transfer of knowledge and skills. The second phase will be a four-month, group-based program aimed at allowing mentors and mentees to discuss and share their experiences.

Professional accounting bodies and standard-setting boards

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

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

International relationships

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

Supreme audit institutions

The supreme audit institution (SAI) is the lead public sector audit organisation in a country. Engagement with other SAIs allows the ANAO to participate in international dialogue on best practice public administration and developments in public sector auditing. The ANAO responds to requests from SAIs directly, including by hosting and presenting to visiting delegations, providing information and participating in surveys. Although virtual engagements continued throughout 2021–22, the easing of international travel restrictions allowed the ANAO to attend some engagements face to face.

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

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

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

Ms Jane Meade, Group Executive Director, Professional Services and Relationships Group, continues to be a member of the Forum for INTOSAI Professional Pronouncements (FIPP). The FIPP aims to support professional development by ensuring that INTOSAI provides a clear and consistent

set of professional standards. The FIPP achieves this through reviewing and monitoring INTOSAI's framework of professional pronouncements. During 2021–22, the ANAO participated in the forum via teleconference in September and October 2021 and February, April and June 2022.

The ANAO's key international engagements in 2021–22 included participating in the following events:

- 12th PASAI Annual General Meeting and the 27th, 28th, 29th and 30th Governing Board meetings, attended by the Auditor-General as a member of the PASAI Governing Board;
- PASAI Governing Board subcommittee meetings in March and June 2022 for the Accountability and Transparency Study, attended by the Auditor-General as a member of the subcommittee;
- SAI20 Senior Officials Meeting hosted by SAI Indonesia in June 2022. SAI20 is an engagement group established in 2021 by the Republic of Indonesia under its presidency of the G20 under the G20 framework and focuses on good and accountable governance through the role of SAIs;
- INTOSAI Performance Audit Sub Committee meeting in London in June 2022 — the meeting afforded the Sub Committee the opportunity to discuss its new work plan;
- initial planning meeting for the ASOSAI 13th Research Project on 'Remote Audit for SAIs: Future and Challenges', with the project leader SAI Indonesia;
- INTOSAI Working Group on Information Technology Audit seminar on opportunities and challenges in IT audit;
- INTOSAI Capacity Building Committee Peer-to-Peer Meeting series, including five webinars from September 2021 to June 2022;
- bilateral meeting with the National Audit Department of Malaysia on 'Big Data Analytics';
- webinar on 'The Role of SAIs in National Health Crisis — Focusing on Prevention and Preparedness' — the ANAO delivered a presentation on its policy measures developed in response to COVID-19;
- INTOSAI Working Group on Crisis Management Audit meeting — afforded the working group the opportunity to discuss its work plan;
- INTOSAI Working Group on the Impact of Science and Technology on Auditing meeting;
- ASOSAI 15th Assembly and 8th Seminar on Environmental Auditing — the ANAO delivered a presentation on 'Audit promoting government accountability for the environment';
- INTOSAI Development Initiative webinar on 'Healthcare Audit Analytics';
- Canadian Audit and Accountability Foundation annual conference — the Deputy Auditor-General delivered a pre-recorded presentation on auditing the impact of the Australian Government's COVID-19 measures;
- bilateral meeting with Fiji Office of the Auditor-General on building capacity to work remotely during the COVID-19 pandemic; and
- 30th INTOSAI Working Group on Information Technology Audit meeting — focused on the development of guidance on cybersecurity and data protection challenges and audit of IT management functions.

Australia's international development program

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

Australia–Indonesia Partnership for Economic Development (Prospera)

The ANAO's activities under the Australia–Indonesia Partnership for Economic Development (Prospera) with the Audit Board of the Republic of Indonesia (Badan Pemeriksa Keuangan — BPK) continue to support BPK's efforts to strengthen its audit functions. The program is aligned with the BPK strategic plan objectives of delivering beneficial and high-quality audits. The key 2021–22 program focus areas were on performance and financial audit management, quality assurance systems, and organisational development to support audit management and capability. Recognising the maturity of the partnership, in addition to supporting the development of audit and organisational capability, the ANAO engaged with BPK on topics of mutual interest and benefit to both offices.

Due to travel restrictions in response to the COVID-19 pandemic, remote delivery remained the principal modality for technical training, workshops, mentoring sessions and executive dialogues, facilitated by the ANAO deployee in Indonesia. The virtual delivery of activities has provided an opportunity for greater outreach across BPK's network of offices and participation from across the ANAO.

As both countries emerge from the pandemic and both organisations return to the office environment, the program will continue to use hybrid delivery, where appropriate, to maintain the broader outreach. Going forward, the program will transition to include in-person delivery with representatives from both organisations.

The ANAO, in partnership with BPK, delivered 15 of 16 planned activities for 2021–22. In response to COVID-19-related travel restrictions, one planned activity was deferred to 2023. With the lifting of travel restrictions, the ANAO was able to complete two work program activities that involved BPK officers travelling to Australia for immersive work experience.

Australia – Papua New Guinea Institutional Partnerships Program

The Institutional Partnerships Program (IPP) supports the development of long-term institutional relationships between Australian and Papua New Guinea (PNG) government entities. The ANAO's activities under the program support the efforts of the PNG Auditor-General's Office to strengthen the management of its audit functions, in line with its Corporate Plan 2017–2021 strategic objectives. The 2021–22 program focus areas were management of institutional linkages, information technology audit support, governance frameworks, and organisational capacity development. The PNG Auditor-General's Office 2022–2027 Strategic Plan, developed in consultation with the ANAO deployee, launched on 30 May 2022. The forward activities under the IPP will align with the outcomes identified in the five-year strategic plan.

Due to the lockdown restrictions resulting from the COVID-19 pandemic, remote delivery remained the principal modality for IPP technical training, workshops, mentoring sessions and executive dialogues. Activities were facilitated by the ANAO deployee while in both Australia and PNG. Face-to-face delivery resumed in March 2022 as restrictions lifted in PNG.

The ANAO, in partnership with the PNG Auditor-General's Office, delivered nine of 16 planned activities for 2021–22. Due to travel restrictions, three planned activities for 2021–22 were postponed, and the remaining four activities were unable to be delivered remotely due to PNG emergency response efforts and the closure of the PNG Auditor-General's Office for extended periods.

Part 3 — Report on performance

The Auditor-General requests that the Independent Auditor, appointed under the *Auditor-General Act 1997* conducts an audit of the ANAO's performance statements to provide assurance to the Parliament of the reliability of the statements as presented.

Independent assurance report on the annual performance statement of the Australian National Audit Office To the President of the Senate and the Speaker of the House of Representatives

Conclusion

In my opinion, in all material respects, the annual performance statement of the Australian National Audit Office for the period 1 July 2021 and 30 June 2022 has been prepared in accordance with the criteria set out below.

Audit Criteria and Source

The criteria against which I have formed my opinion are:

- whether the performance measures the ANAO reports against in its annual performance statement for the period 1 July 2021 to 30 June 2022 are appropriate to meet the requirements of section 16EA of the *Public Governance, Performance and Accountability Rule 2014*;
- whether the results presented in its annual performance statement for the period 1 July 2021 to 30 June 2022 were accurate and complete, and supported by appropriate records; and
- whether the ANAO has maintained in all material respects effective supporting frameworks to develop, gather, assess, monitor, assure and report in the annual performance statement for the period 1 July 2021 to 30 June 2022.

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

Basis for my Conclusion

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

In accordance with ASAE 3000 I have:

- used my professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the annual performance statement for the period 1 July 2021 and 30 June 2022 is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing my assurance procedures; however, I do not express a conclusion on their effectiveness; and
- ensured that my engagement team possesses the appropriate knowledge, skills and professional competencies.

Inherent Limitations

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

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

Use of the Report

This report was prepared for the President of the Senate and the Speaker of the House or Representatives for the purpose of providing an assurance conclusion on the ANAO's annual performance statement for the period 1 July 2021 to 30 June 2022 and may not be suitable for another purpose. I disclaim any assumption of responsibility for any reliance on my report, to any person other than the President of the Senate or the Speaker of the House of Representatives, or for any other purpose than that for which it was prepared.

My Responsibility

My responsibility is to perform a reasonable assurance engagement in relation to the ANAO's annual performance statement for the period 1 July 2021 to 30 June 2022, and to issue an assurance report that includes my conclusion.

Management's Responsibility

ANAO are responsible for:

- determining that the criteria are appropriate to meet their needs and the needs of the Auditor-General;
- preparing and presenting the annual performance statement for the period 1 July 2021 to 30 June 2022 in accordance with the criteria; and
- establishing internal controls that enable the preparation and presentation of the annual performance statement for the period 1 July 2021 to 30 June 2022 free from material misstatement, whether due to fraud or error.

Independence and Quality Control

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

Yours Sincerely



Eileen Hoggett
Independent Auditor

Annual performance statements

As the accountable authority of the Australian National Audit Office (ANAO), I present the ANAO's 2021–22 annual performance statements, as required under paragraphs 39(1)(a) and (b) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and section 16F of the Public Governance, Performance and Accountability Rule 2014. In my opinion, these annual performance statements are based on properly maintained records, accurately reflect the ANAO's performance for the reporting period and comply with subsection 39(2) of the PGPA Act.



Grant Hehir
Auditor-General
11 August 2022

Performance framework

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

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

Taken together, the performance measures tell a story of the ANAO's achievement of its purpose.

The output measures relay progress in the delivery of the ANAO's audit work. This audit work generates findings and recommendations for improving public administration and performance that are directed at entities and tabled in the Parliament. The impact measures provide information on entities' responses to audit findings and implementation of recommendations, and the extent to which the Parliament's engagement with our work leads to improvements in public sector administration.

The ANAO's performance framework also includes measures relating to quality and efficiency. These measures are intended to demonstrate efficient use of taxpayer resources and a commitment to quality in our work. We use information from public audit offices in other jurisdictions to benchmark much of our performance.

Corporate plan and portfolio budget statements

The ANAO measures its performance against its purpose using a range of performance measures, which are outlined in the Portfolio Budget Statements 2021–22 and the ANAO's Corporate Plan 2021–22.

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

In its Portfolio Budget Statements 2021–22, the ANAO's sole outcome (Outcome 1) is 'to improve public sector performance and accountability through independent reporting on Australian Government administration to the Parliament, the Executive and the public'.

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

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

The ANAO's outcome and programs framework for 2021–22 is shown in Table 3.1.

Table 3.1: ANAO's outcome and programs framework for 2021–22

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

Assurance audits

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

Performance audits

The ANAO conducts performance audits in accordance with the ANAO Auditing Standards. These performance audits examine common aspects of public administration, reviewing and examining the operations of public sector entities. They identify areas where improvements can be made and often

make specific recommendations to assist entities to improve performance. Performance audits may involve multiple entities, including where a program or service is jointly administered. An assurance review of the Department of Defence's major defence equipment acquisitions is also undertaken annually. On completion, the ANAO's performance audits are presented to the Parliament.

Performance statements audits

To maintain the momentum and capability building from the 2019–20 performance statements audit pilot program, the ANAO conducted audits of the 2020–21 performance statements of the Department of Social Services (DSS), Attorney-General's Department (AGD) and the Department of Veterans' Affairs (DVA). These audits were conducted as a continuation of the Finance Minister's request to conduct the pilot under section 40 of the PGPA Act, pursuant to section 15 of the *Auditor-General Act 1997*. For these audits, the ANAO refined the audit methodology to reflect the specific requirements for entities' performance measures following amendments to the PGPA Rule that came into effect in 2020. In April 2022, the Minister for Finance tabled the three 2020–21 audit opinions, which are available at finance.gov.au/publications/reports.

The ANAO was provided funding in the Budget 2021–22 to progressively implement the auditing of annual performance statements for material Australian Government entities. The ANAO's portfolio budget statements (PBS) set out a schedule for the tabling of audit opinions on material entities' performance statements, rising from three in 2021–22, to six in 2022–23, 10 in 2023–24 and 14 in 2024–25.² By 2025–26, the ANAO will be auditing the performance statements of 19 material entities. From 2025–26, an additional five entities per year will be selected to test maturity of non-financial performance reporting more widely in the sector.

Following a request from the Minister for Finance in October 2021, the ANAO commenced audits of six entities' 2021–22 performance statements. The ANAO continued the program of work with DVA, AGD and DSS and added three new entities: the former Department of Agriculture, Water and the Environment, the former Department of Education, Skills and Employment, and the Treasury.

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

Analysis of performance against our purpose

Overall, in 2021–22, the ANAO achieved 13 performance measures out of 19, an increase in the number of performance outcomes achieved in 2020–21:

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

The ANAO successfully carried out its annual audit work program for 2021–22, having regard to the priorities and interests of the Parliament and providing a balanced program of activity that was informed by risk. Through the audit program, the ANAO promoted accountability, transparency and improvements

² The ANAO has established a new program within the ANAO's Portfolio Budget Statements 2022–23 – Program 1.3: Performance Statements Audit Services.

to public administration; followed up on past recommendations; identified trends for improvement or declines in performance across the public sector; and applied all of the Auditor-General's mandate. The ANAO tabled five COVID-19-related performance audits in 2021–22 and commenced a further two COVID-19-related performance audits for tabling in 2022–23.

The ANAO continued to assist the Parliament by considering requests for audit from members of parliament, by briefing members of parliament and committees, and making submissions to and appearing before parliamentary committees. ANAO engagement with the Parliament included requests for submissions and appearances from committees.

The ANAO made 34 appearances and submissions to the Parliament in 2021–22, less than the performance target of 40. While the ANAO did meet the performance target for providing private briefings to parliamentarians, the number of private briefings requested in 2021–22 (10) was significantly lower than in 2020–21 (25). These engagement activities were impacted by the dissolution of the House of Representatives on 11 April 2022 and the impact of COVID-19 travel restrictions on the operations of the Parliament.

The JCPAA tabled a report on its review of the *Auditor-General Act 1997* (the Act) in March 2022. In its report, the JCPAA recognised the important role the ANAO plays in examining the expenditure and administration of government programs and its criticality to supporting the work of the JCPAA and the Parliament. To support the JCPAA since the commencement of its inquiry into the Act in September 2020, the ANAO made one submission and 10 supplementary submissions, and attended seven public hearings.

In 2021–22, the ANAO presented 40 performance audits for tabling in the Parliament. The primary focus of ANAO performance audits was effectiveness and economy — the extent to which entities delivered on intended objectives and the value for money achieved in doing so. The year also saw continued emphasis on risk management and governance within entities, with a focus on service delivery, procurement management, grants, regulation and cybersecurity. Performance audit work covered non-corporate and corporate government entities and one Commonwealth company, reflecting the Auditor-General's mandate.

In 2021–22, the ANAO published two *Audit Insights* reports to support its purpose and the focus of the annual audit work program. Topics addressed were the effectiveness of entities' management of contractors, and service delivery through other entities.

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

Performance results for Program 1.1: Assurance audit services

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

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

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

Key to the ANAO's audit process is an assessment of entities' internal control frameworks as they apply to financial reporting. An effective internal control framework provides the ANAO with a level of assurance that entities are able to prepare financial statements that are free from material misstatement. In 2021–22, a total of 62 findings were reported to the entities included in the interim audit report to the Parliament, comprising one significant, 14 moderate and 45 minor findings, and two legislative findings. This is an increase on the interim audit results of 2020–21, with a total of 60 reported findings comprising no significant, nine moderate and 51 minor findings. Fifty-eight per cent of findings are in the areas of management of IT controls, particularly the management of privileged users.

The consolidated financial statements present the consolidated whole-of-government financial results, inclusive of all Australian Government-controlled entities, as well as the general government sector financial report. The 2020–21 consolidated financial statements were signed by the Minister for Finance on 12 November 2021 and an unmodified auditor's report was issued on 15 November 2021.

A total of 164 findings (2019–20: 145) were reported to entities as a result of the 2020–21 financial statements audits. These comprised two significant (2019–20: 2), 21 moderate (2019–20: 22), 127 minor findings (2019–20: 118) and 14 legislative findings (2019–20: 3). The highest number of findings are in the categories of:

- IT security management and user access, in particular the management of privileged users; and
- accounting and control of non-financial assets.

The total findings included three significant legislative breaches, one of which has remained open since 2012–13. There were 11 non-significant legislative breaches, eight of which related to remuneration of key management personnel. A significant breach is reported where a significant potential or actual breach of the Constitution occurs, or where noncompliance with an entity's enabling legislation, legislation the entity is responsible for administering, or the PGPA Act is identified. A non-significant legislative breach is reported where instances of noncompliance with other legislation, or subordinate legislation, are identified.

Performance measures

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

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

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

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

Measure 1 Percentage of the mandatory financial statements auditor’s reports completed	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103
Result	Achieved a result of 100% against a target of 100% MET

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

During 2021–22, the ANAO completed 245 of 245 mandated financial statements audits for the year ended 30 June 2021.³ This included the consolidated financial statements of the Australian Government.

Details of issues identified during the financial statements audits are included in Auditor-General Report No.14 of 2021–22 [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021](#).

Measure 2 Number of financial statements-related audit reports presented to Parliament	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103
Result	Achieved a result of 2 against a target of 2 MET

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

³ Mandated audits are those required under the Public Governance, Performance and Accountability Act 2013 or other legislation.

Auditor-General Report No.14 of 2021–22 [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021](#) was tabled in December 2021. This report complemented the interim-phase report published in June 2021 and provided a summary of the final results of the audits of the consolidated financial statements for the Australian Government and the financial statements of Australian Government entities.

Auditor-General Report No.32 of 2021–22 [Interim Report on Key Financial Controls of Major Entities](#) was tabled in June 2022. This report focused on the results of the interim audit phase — including an assessment of entities' key internal controls — of the 2021–22 financial statements audits of 25 entities, including all departments of state and a number of major Australian Government entities. The work performed for the interim report pre-dated adjustments entities have made to their financial and risk management controls. These risks will be considered in the final audits of financial statements.

Measure 3		Number of assurance audit reports by arrangement
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103	
Result	Achieved a result of 40 against a target of 45	NOT MET

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

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

In 2021–22, the ANAO agreed to undertake 39 audits or reviews conducted under section 20 of the *Auditor-General Act 1997* and completed 38 of those audits or reviews. They include financial statements audits and audits or reviews of compliance with legislative requirements. Also reported against this performance measure are two non-financial statements audits completed by the ANAO in 2021–22. The two non-financial statements audits are required by section 28D of the *Australian Postal Corporation Act 1989* and subsection 313(3) of the *Bankruptcy Act 1966*.

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

Measure 4		Percentage of auditor's reports issued within three months of the financial-year-end reporting date
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103	
Result	Achieved a result of 89% against a target of 85%	MET

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

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

Achievement of this measure relies on entities providing the ANAO with auditable financial statements within the required timeframe. The ANAO noted a decrease in financial statements preparation findings compared to the prior year. The minor findings relate to quality review processes and preparation of key position papers. The ANAO works closely with entities to facilitate the timely finalisation of the financial statements, with the objective of issuing auditor’s reports within two business days of the financial statements being signed. The ANAO issued 98 per cent (2020–21: 96 per cent) of auditors’ reports within two business days of the signing of the financial statements by the accountable authority.

The result of 89 per cent of entities being issued a signed auditor’s report within three months of the financial year end is an increase from 77 per cent in the prior year. The average for the three reporting periods from 2019–20 to 2021–22 is 83.3 per cent.

Measure 5 Percentage increase to average cost per financial statements audit	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103
Result	Achieved a result of 1.79% decrease against a target of a greater than 0% reduction MET

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

In 2021–22, the ANAO is reporting on audits of financial statements from the 2020–21 audit cycle, as the financial year ended on 30 June and the audit occurred after the end of the financial year. Therefore, the average cost per audit for the Assurance Audit Services Group is calculated by comparing the average cost of the 2020–21 audit cycle to the average cost of the 2019–20 audit cycle.⁴ The average cost for the 2020–21 audit cycle was \$161,331 and the 2019–20 average cost was \$164,268, representing a 1.79 per cent decrease (Table 3.2). The decrease was mainly driven by savings achieved from a change of auditor’s expert engaged to carry out investment valuation work. Also, the Assurance Audit Services Group completed 100 per cent of the audit work within six months of the financial year end (the previous year was within 12 months).

4 From 1 July 2022, the Assurance Audit Services Group was renamed the Financial Statements Audit Services Group.

Table 3.2: Cost of assurance audit reports, 2018–19 to 2020–21

Audit cycle	Percentage increase Target (%)	Average cost per mandated audit (\$) ^(a)	Range of audit fees charged (\$)	Actual result (%)
2020–21	0	161,331	5,500–3,890,000	-1.79
2019–20	0	164,268	5,500–3,700,000	6.06
2018–19	0	154,889	5,500–3,800,000	0.63

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

Measure 6 Percentage of moderate or significant findings from assurance audit reports agreed to by audited entities	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103
Result	Achieved a result of 100% against a target of 90% MET

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

The audit findings and recommendations are reported using a rating scale whereby significant and moderate risk issues are reported individually to the audited entities, the relevant minister and the Parliament. Lower risk issues are also reported individually to each entity, and in aggregate in the ANAO's reports to the Parliament.⁵

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

Measure 7 Percentage of moderate and significant findings that are addressed by material entities within one year of reporting	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.1, p. 103
Result	Achieved a result of 61% against a target of 90% NOT MET

The ANAO measures the percentage of moderate and significant findings that are addressed by entities in order to measure the impact that the ANAO's audit work has on public administration. This measure relates to the percentage of moderate or significant findings from material entity audits that

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

are addressed within 12 months of being reported to the entity. 'Addressed' means that the entity has responded to and actioned the ANAO finding.

Audit findings are reported to entities at the conclusion of each year's financial statements audit. In order to determine whether these findings have been addressed by entities within one year of reporting, a full 12-month period is required from the end of the previous audit cycle. The audit cycle generally runs from October to September. Therefore, this performance measure for 2021–22 considers whether the audit findings reported at the conclusion of the 2019–20 audit cycle had been addressed by entities at the conclusion of the 2020–21 audit cycle. At the conclusion of the 2019–20 audit cycle, 18 significant and moderate findings were reported to material entities. A number of these findings relate to complex areas and/or system changes that entities have needed additional time to address. Eleven of these findings (61 per cent) were resolved within one year of being reported.

Performance results for Program 1.2: Performance audit services

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

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

In 2021–22, the primary focus of ANAO performance audits was effectiveness (the extent to which entities delivered on intended objectives and their performance measurement against these objectives) and economy (the extent to which value for money is being achieved). In 2021–22, the focus on effectiveness included an examination of the government's response to the COVID-19 pandemic.

The year also saw the continuation of a series of audits on procurements by the Australian Government, including major Defence procurements, advertising by the Australian Government, Indigenous service delivery, cyber resilience, management of contractors by selected entities, and entity governance. The ANAO also tabled a cross-entity performance audit of the management of staff leave in the Australian Public Service.

In response to ongoing parliamentary interest, the ANAO continued its audit series on the implementation of ANAO and parliamentary recommendations. In 2021–22, the Auditor-General tabled three performance audits that either followed up on an entity's progress in implementing recommendations or followed on from other related audits.

Performance measures

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

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

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

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

Measure 8		Number of performance reports prepared for Parliament
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.2, p. 105	
Result	Achieved a result of 40 against a target of 40	MET

In 2021–22, the Auditor-General presented 40 performance audits for the information of the Parliament (Table 3.3).

In addition to the 40 performance audits presented to the Parliament, the ANAO presented Auditor-General Report No.13 of 2021–22 [2020–21 Major Projects Report](#) in December 2021. This is an annual publication that provides assurance regarding the progress of major Defence projects.

Table 3.3: Number of performance audit reports, 2015–16 to 2021–22

	Number of performance audit reports	
	Target	Result
2021–22	40	40
2020–21	42	42
2019–20	48	42
2018–19	48	48
2017–18	48	47
2016–17 ^(a)	48	58
2015–16 ^(a)	49	35

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

Measure 9		Average elapsed time (months) for completion of performance audits
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.2, p. 105	
Result	Achieved a result of 10.2 months against a target of 10 months	NOT MET

The duration of a performance audit (Table 3.4) is impacted by multiple factors, including the complexity of the activities examined, the depth of the audit scope, the number of entities selected for a particular audit, the experience of staff contributing to the audit, and the timely and comprehensive provision of information by entities. Delays in the provision of information, including when an auditee requires the ANAO to request access to information using the formal information gathering powers in the *Auditor-General Act 1997*, continue to impact on the timeframes for audits.

When selecting audit topics from the annual audit work program, the ANAO seeks to achieve an appropriate balance of different audit types and complexities. This includes consideration of portfolio coverage, basic administration as well as complex program implementation, activity area (for example, policy development, service delivery, procurement, asset management and grant management) and whether a follow-up from a previous audit is timely.

In 2021–22, although there was one audit that took 20.3 months to deliver, 23 of the remaining audits were delivered in under 10 months. In 2020–21, 18 audits were delivered in under 10 months.

Table 3.4: Duration of performance audits, 2015–16 to 2021–22

	Time taken to complete report (months)		
	Target	Average	Range
2021–22	10.0	10.2	7.4–20.3
2020–21	10.0	10.5	5.4–17.4
2019–20	10.0	10.0	6.3–14.0
2018–19	10.5	10.1	4.6–18.1
2017–18	10.5	9.6	6.2–15.9
2016–17	N/A	10.6	5.2–22.0
2015–16	N/A	11.6	6.9–18.6

Measure 10 Percentage increase to average cost per performance audit	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.2, p. 105
Result	Achieved a result of 6.6% decrease against a target of a greater than 0% reduction MET

The average cost of audits delivered in 2021–22 decreased compared to audits delivered in 2020–21 (Table 3.5).

In 2020–21 the average cost of a performance audit was \$520,000 due to the factors outlined in the ANAO's 2020–21 performance statements. These same factors did not emerge in 2021–22 as staffing levels were built back up throughout 2021–22, thereby alleviating some of the need for a higher proportion of senior involvement in audits that occurred in 2020–21. The decrease in the average cost was also partly due to efficiencies and cost savings found in 2021–22 by conducting some audits in a series. Three audits examined entities' public sector board governance and three audits examined the management of contractors by entities. The average cost across these six audits was \$287,200.

The cost of an audit is calculated by multiplying the hours that each level of staff worked on that audit by a charge-out rate that is set for each staffing level. The charge-out rates are set to recover the direct costs of those staff working on the audit and the overhead cost of supporting those staff.

Table 3.5: Cost of performance audit reports, 2015–16 to 2021–22

	Percentage increase	Cost per performance audit (\$'000) ^(a)		Actual result (%)
	Target (%)	Average	Range	
2021–22	0	486	159–1,106	-6.6
2020–21	0	520	234–984	18.0
2019–20	0	439	186–904	5.0
2018–19	0	419	131–670	-0.7
2017–18	0	422	159–786	-9.8
2016–17	N/A	468	102–1,500	-11.0
2015–16	N/A	526	230–767	N/A

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

Measure 11	Percentage of recommendations from performance audit reports agreed to by audited entities	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.2, p. 105	
Result	Achieved a result of 96% against a target of 90%	MET

The ANAO makes recommendations in performance audit reports to support the Parliament in its role in holding entities to account for their use of public money, and to seek to improve public administration. Throughout a performance audit, the ANAO keeps entities informed of findings and discusses potential recommendations to ensure entities understand the basis and intention of recommendations. Table 3.6 provides a breakdown of audited entities' responses to the ANAO's recommendations against the total number of recommendations made. Only recommendations that were agreed without qualification are included as 'agreed' recommendations in the result for this measure.

In 2021–22, 154 recommendations were agreed, four recommendations were agreed with qualification and three recommendations were not agreed.

Table 3.6: Agreement to recommendations in performance audit reports, 2015–16 to 2021–22

	Total number	Recommendations			Noted or no response by entities (%)
		Fully agreed (%)	Agreed with qualifications (%)	Not agreed (%)	
2021–22 ^(a)	161	95.7	2.5	1.9	0.0
2020–21	165	92.1	6.1	1.2	0.6
2019–20	141	90.8	1.4	2.8	5.0
2018–19	146	90.0	6.8	0.7	2.7
2017–18	126	84.9	9.5	2.4	3.2
2016–17	102	91.0	4.0	3.0	2.0
2015–16	103	94.0	6.0	0.0	0.0

(a) The percentages for 2021–22 do not total 100 per cent due to rounding.

Measure 12	Percentage of ANAO recommendations implemented within 24 months of a performance audit report	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, Program 1.2, p. 105	
Result	Achieved a result of 86% against a target of 70%	MET

The ANAO monitors entities' implementation of performance audit recommendations by attending entity audit committees and conducting audits that follow up on entity progress in implementing previously made recommendations. The ANAO also seeks advice annually from all relevant entities on progress in implementing audit recommendations over a two-year implementation period.

The self-reported data for audit recommendations made in 2019–20 suggests that entities are implementing ANAO recommendations largely within 24 months of the recommendation being agreed (Table 3.7). For those recommendations that have not yet been implemented, the majority of entities have advised that work is underway.

This measure is based on entity self-reporting on implementation of recommendations. The ANAO has undertaken a series of performance audits on entities' implementation of parliamentary and ANAO recommendations.⁶ These audits have shown that some entities have reported ANAO recommendations as being implemented when the evidence has shown that they have not actually been implemented. These performance audits of the implementation of recommendations do not cover all entities and the results may not be representative of the whole population. The audits undertaken to date in this series have identified that 20 per cent of recommendations that entities had reported as implemented were assessed by the ANAO as not implemented.

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

Year in which recommendations made	Recommendations (number)	Recommendations		
		Implemented (%)	Not implemented (%)	No response provided (%)
2019–20 ^(a)	182	86	8	7
2018–19	146	79	19	2
2017–18	126	81	19	0
2016–17	102	72	26	2
2015–16	103	89	11	0

(a) The percentages for 2019–20 do not total 100 per cent due to rounding.

Performance statements audit services

Performance statements audit services contribute to the ANAO achieving its purpose through the conduct of audits of annual performance statements of selected entities. The intent of performance

6 Auditor-General Report No.6 of 2019–20 [Implementation of ANAO and Parliamentary Committee Recommendations](#); Auditor-General Report No.46 of 2019–20 [Implementation of ANAO and Parliamentary Committee Recommendations — Education and Health Portfolios](#); Auditor-General Report No.34 of 2020–21 [Implementation of ANAO and Parliamentary Committee Recommendations — Department of Defence](#); and Auditor-General Report No.25 of 2021–22 [Implementation of ANAO and Parliamentary Committee Recommendations — Department of Home Affairs](#).

statements audits is to drive improvements in the transparency and quality of entities' performance reporting, and, in turn, increase entities' accountability to the Parliament and public.

During 2021–22, the ANAO continued its performance statements audit pilot program, auditing the 2020–21 performance statements of the same three entities as in 2019–20: the Attorney-General's Department (AGD), the Department of Social Services (DSS) and the Department of Veterans' Affairs (DVA). These audits were conducted as a continuation of the Finance Minister's 2019–20 request for the Auditor-General to conduct a pilot under section 40 of the PGPA Act, pursuant to section 15 of the *Auditor-General Act 1997*.

The ANAO also commenced six audits of entity 2021–22 performance statements as part of the staged implementation of an annual performance statements assurance audit program, following a request from the Minister for Finance in October 2021. The ANAO continued the program of work with DVA, AGD and DSS and added three new entities: the then Department of Agriculture, Water and the Environment, the then Department of Education, Skills and Employment, and the Treasury.

In April 2022, the Auditor-General tabled a report in the Parliament on the outcome of the ANAO's annual performance statements audit pilot program and the ANAO's preparation for the staged implementation of an annual performance statements assurance audit program. The report noted improvement during the pilot program in the standard of performance statements preparation and reporting for each of the audited entities, demonstrating that mandated audits of performance statements can drive more transparent and meaningful performance reporting to the Parliament.

To assess the ANAO's performance against its purpose in the area of performance statements audit services, the ANAO measures the number of performance statements audit reports completed.

Measure 13		Number of performance statements audit reports completed
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2019–20, Program 1.2, p. 105	
Result	Achieved a result of 3 against a target of 3	MET

The audit opinions were provided to the Minister for Finance in December 2021. The Minister for Finance tabled the three 2020–21 audit opinions on 8 April 2022.⁷

Performance results for relationships and corporate and professional services

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

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

⁷ The three audit reports for 2020–21 performance statements can be found on the Department of Finance website at finance.gov.au/publications/reports.

Performance measures

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

The ANAO also evaluates whether the independent quality assurance program indicates that audit conclusions are appropriately supported by evidence.

Measure 14		Number of appearances and submissions to parliamentary committees
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, shared by programs 1.1 and 1.2, p. 107	
Result	Achieved a result 34 against a target of 40	NOT MET

The ANAO supports the work of parliamentary committees by providing private briefings on request, and making appearances before, and submissions to, committee inquiries. This effort is based on audit reports tabled in Parliament. In 2021–22, the ANAO made 34 appearances before, and submissions to, parliamentary committees. [Annexure A](#) details ANAO appearances and submissions.

The 2021–22 result did not meet the target of 40 and is significantly less than the 2020–21 result of 45, noting that appearances before, and submissions to, parliamentary committees were not requested following the dissolution of the House of Representatives on 11 April 2022.

The relationship with the JCPAA remains the ANAO’s key parliamentary engagement. To support the work of the Parliament more broadly, the ANAO focused on proactively seeking opportunities to engage with the Parliament to improve the utilisation of audit reports in parliamentary proceedings. Engagement activities included:

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

Measure 15		Percentage of private briefings undertaken at request of parliamentarians
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22 shared by programs 1.1 and 1.2, p. 107	
Result	Achieved a result of 100% against a target of 100%	MET

In 2021–22, the ANAO provided 10 of 10 private briefings requested by parliamentarians. The total number of briefings provided in 2021–22 is significantly lower than the 25 briefings provided in 2020–21. Of the 10 briefings provided, nine related to specific audit reports and one briefing provided a general outline of ANAO audit services provided to the Parliament.

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

Measure 16	Number of published audit insights and key learnings from across ANAO activities	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, programs 1.1 and 1.2, p. 107	
Result	Achieved a result of 2 against a target of 4	NOT MET

The ANAO's *Audit Insights* products provide information on shared learnings for all Commonwealth entities as identified through financial statements audits, performance audits and performance statements audits. All ANAO performance audit reports contain key messages for all Australian Government entities. In 2021–22, the ANAO did not meet its target of publishing four reports in its *Audit Insights* series, publishing two reports in the period

- [Service Delivery through Other Entities](#); and
- [Effectiveness of the Management of Contractors](#).

The target was not met primarily due to the need to direct staffing resources to the delivery of the 2021–22 tabling program for the Parliament as outlined in the ANAO's Portfolio Budget Statements 2021–22. In addition to the two *Audit Insights* products listed above, the ANAO presented two information reports to the Parliament: Auditor-General Report No.7 of 2021–22 [Australian Government Grants Reporting](#), and Auditor-General Report No.37 of 2021–22 [Reporting on Governing Boards of Commonwealth Entities and Companies](#). The ANAO also included a chapter on 'Lessons learned and future opportunities' in Auditor-General Report No.23 of 2021–22 [Audits of the Annual Performance Statements of Australian Government Entities — Pilot Program 2020–21](#).

Measure 17	The ANAO quality assurance program indicates that audit opinions and conclusions are appropriate	
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, shared by programs 1.1 and 1.2, p. 107	
Result	Achieved a result of 100% against a target of 100%	MET

Quality in the delivery of the ANAO's audit services is critical in supporting the integrity of audit reports and maintaining the confidence of the Parliament and public sector entities. This is reflected in the target set in the performance indicator for Measure 17.

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

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

Monitoring processes include:

- annual quality assurance reviews of completed audits covering all of the ANAO's functions;
- real-time quality reviews of in-progress financial statements audits and performance statements audits;
- progress reviews at specified points by the audit executive and Auditor-General for in-progress performance audits;
- biennial external peer reviews of completed performance audits performed by the New Zealand Office of the Auditor-General;
- external reviews of the quality framework and completed financial statement audits conducted by the Australian Securities and Investments Commission; and
- internal audits of compliance with selected requirements of the ANAO Audit Manual.

In 2021–22, the annual quality assurance program of completed audits reviewed 10 financial statements audits, three performance audits and one performance statements audit. In addition, seven real-time quality reviews of in-progress financial statements audits and two real-time quality reviews of in-progress performance statements audits were conducted. One financial statements audit real-time review was a complete file review. The remaining real-time financial statements audit reviews were focused reviews, consisting of three reviews focused on substantive analytical procedures and three reviews focused on auditing accounting estimates. The real-time reviews on performance statements audits had a focus on work performed over the appropriateness of performance measures. The focused reviews are not included in the above performance measure as no overall file rating is assigned and findings are indicative only as they are addressed prior to forming the audit conclusion.

One financial statements audit file reviewed was determined to be unsatisfactory due to significant deficiencies identified in the audit approach over revenue. Remediation procedures were not required as evidence that was not on the audit file indicated that the risk of material misstatement was mitigated and that the audit conclusion was appropriate despite the deficiencies identified. All financial statements audit conclusions and all performance audit and performance statements audit conclusions were appropriate in the circumstances. The two satisfactory reviews conducted by the Australian Securities and Investments Commission (discussed below) are included in the performance measure.

Based on the results reported to the Executive Board of Management and the completed internal and external reviews, the Auditor-General is satisfied that the system of quality control functioned effectively in 2021–22. Identified deficiencies and good practice recommendations identified in all internal and external reviews are addressed by ANAO follow-up actions. Progress and completion of follow-up actions is monitored by the Quality Committee.

As in previous years, the mix of financial statements audits selected for review comprised audits conducted utilising in-house resources and those undertaken by contracted firms. Identified areas for improvement in financial statements audits related to the design and execution of substantive analytical procedures, documentation related to auditing accounting estimates, engagement team planning meetings and IT audit testing.

In 2021–22, the ANAO continued to use root cause analysis of selected findings and observations from the inspections of 2019–20 financial statements audit files to identify the root cause of findings and determine the most appropriate remedial actions. Follow-up actions arising from the analysis included delivery of training, revision of methodology guidance and improvements to procedures for allocating second reviewers to audits with quality issues. The root cause analysis of thematic findings and observations from the inspection of 2020–21 financial statements audit files was completed in 2021–22 concurrently with the finalisation of the inspections. Follow-up actions arising from this

analysis included a focus on providing coaching and guidance to junior team members, particularly when auditing areas that require higher levels of professional judgement, including the design of appropriate substantive analytical procedures and auditing accounting estimates.

The identified areas for improvement in performance audits related to engagement risk assessments, documentation of resolutions for potential independence threats, completion of test programs, utilising audit tool functionality to evidence review, and the timely closure of the audit file.

In 2021–22, the first quality assurance review over a completed performance statements audit was conducted. The ANAO performance statements audit policy and methodology is in the development stage. The quality assurance review identified areas where policy or guidance, or clearer methodology procedures, are needed, including when performance statements audit teams rely on the work conducted by other ANAO audit teams or on unaudited information; and when documenting audit judgements.

The ANAO Qualifications and Technical Advisory Committee provides a forum for engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit-related matters. ANAO policy identifies the matters that must be referred to the committee and the committee meets as required to provide advice to the Auditor-General. Under ANAO audit policy, the Auditor-General can refer matters arising in performance audits to the committee for advice. The committee was consulted on 13 matters in 2021–22.

In 2021–22, the ANAO continued the arrangement, initiated in 2017–18, with the Australian Securities and Investments Commission (ASIC) to conduct an annual external independent review of the ANAO's financial statements audit files. This is similar to the review work conducted by ASIC on external auditors in the private sector. The reviews are valued by the ANAO as they provide external scrutiny and the ANAO recognises the important role that openness to evaluation plays in building a culture focused on quality, learning and continuous improvement. This year, two audits of financial statements for the year ended 30 June 2021 were reviewed. These reviews were conducted using ASIC's methodology for reviewing private sector audits. In respect of the file reviews, ASIC made findings on the auditor's assessment of the appropriateness of revenue recognition and assumptions used in calculating employee provisions, documentation of the sample selection for testing, and audit procedures over lease accounting and capitalisation of intangible assets. ASIC did not have available resources to conduct a review of the ANAO's quality assurance framework for 2020–21.

Measure 18		Percentage of inquiries and audit requests from parliamentarians finalised within 28 days
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, shared by programs 1.1 and 1.2, p. 107	
Result	Achieved a result of 100% against a target of 90%	MET

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

In determining the ANAO's audit work program, the Auditor-General must have regard to the audit priorities of the Parliament, as determined by the JCPAA. Formal consultation with the JCPAA about the audit priorities of the Parliament occurs between February and May each year to inform the development of the ANAO's annual audit work program. The ANAO provided the draft work program for 2022–23 to the JCPAA in February 2022. The final work program was published on 6 July 2022.

Throughout the year, the Auditor-General also receives direct requests from members of parliament for audits of particular areas of public administration. Where the Auditor-General determines that further examination is warranted as a result of an audit request, a response can be provided through a range of mechanisms, including by initiating a performance audit, assurance review or information report, and through correspondence or inclusion in future work programs.

In 2021–22, the Auditor-General received 17 requests for audit from members of parliament. A response to 100 per cent of requests (17 of 17) was provided within 28 days. [Annexure B](#) outlines the ANAO’s responses to these requests.

Measure 19	Percentage of JCPAA members surveyed who were satisfied that the ANAO improved public sector performance and supported accountability and transparency
Source	ANAO Corporate Plan 2021–22 Portfolio Budget Statements 2021–22, shared by programs 1.1 and 1.2, p. 107
Result	Not able to report

The ANAO engaged a research firm, ORIMA Research, to conduct a survey of JCPAA members in 2022. One of the 15 JCPAA members responded to the survey (7 per cent), which is substantially lower than the participation rate of 47 per cent (seven of 15 members surveyed) in 2021. As there was only one respondent to the survey, there is insufficient evidence to reliably determine a result against this measure. As such, the ANAO is unable to report a result against this measure.

The timing of the survey fell just before the proroguing of the Parliament on 11 April 2022. The one respondent rated all but two statements presented in the survey positively, selecting ‘unsure’ for the following: ‘Financial statements audit reports provided a balanced perspective’, and ‘The ANAO engages with the committee on issues of relevance to the administration of the broader public service’. The respondent strongly agreed that performance audits, the Defence Major Projects Report, and other reports provide a balanced perspective. The respondent also strongly agreed that the ANAO reports and services have contributed to improved public sector accountability and transparency and agreed that the ANAO reports and services help improve public sector administration.

The ANAO will work with the JCPAA of the 47th Parliament to determine the best way to utilise the survey as a mechanism for the JCPAA to provide feedback on the ANAO’s performance in relation to delivering audit services to the Parliament.

Transparency reporting

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

Annexure A

Table 3A.1: ANAO appearances before, and submissions to, parliamentary committees in 2021–22 (Measure 14)

Date	Committee	Topic	Type
6 July 2021	Senate Standing Committees on Community Affairs — References Committee	Inquiry into the purpose, intent and adequacy of the Disability Support Pension	Submission
12 July 2021	House of Representatives Standing Committee on Infrastructure, Transport and Cities	Inquiry into procurement practices for government-funded infrastructure	Submission
19 July 2021	Joint Standing Committee on National Disability Insurance Scheme	Inquiry into general issues around the implementation and performance of the National Disability Insurance Scheme	Submission
19 July 2021	Senate Standing Committees on Rural and Regional Affairs and Transport — Legislation Committee	2021–22 Budget estimates — commuter car parks	Hearing
6 August 2021	Senate Standing Committees on Economics — References Committee	Inquiry into Australia's sovereign naval shipbuilding capability	Hearing
6 August 2021	Senate Standing Committees on Finance and Public Administration —References Committee	Inquiry into the current capability of the Australian Public Service	Hearing
10 August 2021	House of Representatives Standing Committee on Social Policy and Legal Affairs	Auditor-General reports: No.45 of 2019–20 <i>Management of Agreements for Disability Employment Services</i> No.48 of 2019–20 <i>Management of the Australian Government's Lobbying Code of Conduct — Follow-up Audit</i> No.43 of 2020–21 <i>Australian Federal Police's Use of Statutory Powers</i>	Briefing
16 August 2021	Joint Committee of Public Accounts and Audit	Inquiry into alternative financing mechanisms	Submission
19 August 2021	Joint Committee of Public Accounts and Audit	Inquiry into Commonwealth 2019–20 financial statements based on Auditor-General reports: No.25 of 2020–21 <i>Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020</i> No.40 of 2020–21 <i>Interim Report on Key Financial Controls of Major Entities</i>	Hearing

Date	Committee	Topic	Type
19 August 2021	Joint Committee of Public Accounts and Audit	Inquiry into Defence Major Projects Report 2019–20	Briefing
19 August 2021	Joint Committee of Public Accounts and Audit	Review of Auditor-General reports	Briefing
1 September 2021	Senate Standing Committees on Finance and Public Administration — References Committee	Inquiry into the administration and expenditure of funding under the Urban Congestion Fund	Submission
3 September 2021	Joint Committee of Public Accounts and Audit	Review of the <i>Auditor-General Act 1997</i>	Hearing
14 September 2021	House of Representatives Standing Committee on Infrastructure, Transport and Cities	Inquiry into procurement practices for government-funded infrastructure	Hearing
15 September 2021	Joint Committee of Public Accounts and Audit	Review of the <i>Auditor-General Act 1997</i>	Hearing
15 September 2021	Joint Committee of Public Accounts and Audit	Inquiry into Commonwealth 2019–20 financial statements based on Auditor-General reports: No.25 of 2020–21 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2020 No.40 of 2020–21 Interim Report on Key Financial Controls of Major Entities	Hearing
15 September 2021	Joint Committee of Public Accounts and Audit	Inquiry into Report 489 <i>Defence Major Projects Report 2019–20</i>	Hearing
15 September 2021	Joint Committee of Public Accounts and Audit	Inquiry into alternative financing mechanisms	Hearing
22 September 2021	Parliamentary Joint Committee on the Australian Commission for Law Enforcement Integrity	Inquiry into the expansion of the Australian Commission for Law Enforcement Integrity's jurisdiction and the corruption vulnerabilities of law enforcement agencies' contracted services	Submission
23 September 2021	Senate Standing Committees on Finance and Public Administration — Legislation Committee	Inquiry into the Commonwealth Electoral Amendment (Integrity of Elections) Bill 2021	Submission
25 October 2021	Senate Standing Committees on Finance and Public Administration — Legislation Committee	2021–22 supplementary Budget estimates	Hearing
29 October 2021	Joint Committee of Public Accounts and Audit	Review of the <i>Auditor-General Act 1997</i>	Hearing
29 October 2021	Joint Standing Committee on the National Disability Insurance Scheme	Inquiry into current scheme implementation and forecasting for the National Disability Insurance Scheme	Submission

Date	Committee	Topic	Type
1 November 2021	Senate Standing Committees on Community Affairs — References Committee	Inquiry into the purpose, intent and adequacy of the Disability Support Pension	Hearing
11 November 2021	Senate Standing Committees on Finance and Public Administration —References Committee	Inquiry into the administration and expenditure of funding under the Urban Congestion Fund	Hearing
3 December 2021	Joint Committee of Public Accounts and Audit	<p>Inquiry into Commonwealth investments achieving policy objectives based on Auditor-General reports:</p> <p>No.14 of 2020–21 <i>Decision-making Controls for NDIS Participant Plans</i></p> <p>No.26 of 2020–21 <i>Investments by the Clean Energy Finance Corporation</i></p> <p>No.28 of 2020–21 <i>Administration of the National Housing Finance and Investment Corporation</i></p> <p>No.47 of 2020–21 <i>Administration of Commuter Car Park Projects within the Urban Congestion Fund</i></p>	Hearing
3 December 2021	Joint Committee of Public Accounts and Audit	<p>Implementation of COVID-19 measures: Inquiry into Auditor-General reports:</p> <p>No.20 of 2020–21 <i>Management of the Australian Public Service's Workforce Response to COVID-19</i></p> <p>No.22 of 2020–21 <i>Planning and Governance of COVID-19 Procurements to Increase the National Medical Stockpile</i></p> <p>No.23 of 2020–21 <i>Services Australia COVID-19 Measures and Enterprise Risk Management</i></p> <p>No.24 of 2020–21 <i>The Australian Taxation Office's Management of Risks Related to the Rapid Implementation of COVID-19 Economic Response Measures</i></p> <p>No.39 of 2020–21 <i>COVID-19 Procurements and Deployments of the National Medical Stockpile</i></p>	Hearing
9 February 2022	Joint Committee of Public Accounts and Audit	ANAO 2022–23 Budget submission	Briefing

Date	Committee	Topic	Type
9 February 2022	Parliamentary Joint Committee on Intelligence and Security	Review of Administration and Expenditure No.20 (2020–21) — Australian intelligence agencies	Submission
10 February 2022	Joint Committee of Public Accounts and Audit	Review of the <i>Auditor-General Act 1997</i>	Submission
14 February 2022	Senate Standing Committees on Finance and Public Administration — Legislation Committee	2021–22 additional estimates	Hearing
11 March 2022	Joint Committee of Public Accounts and Audit	Governance in the stewardship of public resources: Inquiry into Auditor-General reports: No.11 of 2019–20 Implementation of the Digital Continuity 2020 Policy No.31 of 2019–20 Management of Defence Housing Australia No.39 of 2019–20 Implementation of the Commonwealth Scientific and Industrial Research Organisation (CSIRO) Property Investment Strategy No.2 of 2020–21 Procurement of Strategic Water Entitlements No.9 of 2020–21 Purchase of the 'Leppington Triangle' Land for the Future Development of Western Sydney Airport	Submission
22 March 2022	Joint Committee of Public Accounts and Audit	Inquiry into Commonwealth investments achieving policy objectives based on Auditor-General reports: No.14 of 2020–21 Decision-making Controls for NDIS Participant Plans No.26 of 2020–21 Investments by the Clean Energy Finance Corporation No.28 of 2020–21 Administration of the National Housing Finance and Investment Corporation No.47 of 2020–21 Administration of Commuter Car Park Projects within the Urban Congestion Fund	Hearing
4 April 2022	Senate Standing Committees on Finance and Public Administration — Legislation Committee	2022–23 Budget estimates	Hearing

Annexure B

Table 3B.1: Parliamentary requests for audit, 2021–22 (Measure 18)

Date of request	Date of response	Requested by	Audit request relating to	Response provided to request
7 July 2021	2 August 2021	The Hon Catherine King MP and Mr Andrew Giles MP	Urban Congestion Fund	Do not propose to commence an audit into additional components of the Urban Congestion Fund at this time
9 July 2021	29 July 2021	Ms Michelle Rowland MP and Senator Kimberley Kitching	NBN Co executive bonuses	Consider as a part of potential audit topic included in the Annual Audit Work Program 2021–22
26 July 2021	20 August 2021	Mr Julian Hill MP	Partner visa processing	Following consultation with the Department of Home Affairs, the topic will be subject to normal priority-setting processes ^(a)
17 August 2021	13 September 2021, 15 October 2021	Senator the Hon Eric Abetz	ABC defamation case payment	Any payment is subject to financial audit by the ANAO in 2021–22. Do not propose to commence any additional audit at this time
25 August 2021	10 September 2021	Mr Adam Bandt MP	Beetaloo Cooperative Drilling Program	Consider including the topic in the Annual Audit Work Program 2022–23
26 August 2021	10 September 2021	Ms Madeleine King MP and Senator the Hon Kristina Keneally	Beetaloo Cooperative Drilling Program	Consider including the topic in the Annual Audit Work Program 2022–23
27 September 2021	22 October 2021	Senator Mehreen Faruqi	Australian Research Council's administration of funding application processes	The ANAO conducted an audit of the Australian Research Council's grants administration, which included topics related to this request. ^(b) Do not propose to commence an audit at this time

Date of request	Date of response	Requested by	Audit request relating to	Response provided to request
22 October 2021	3 November 2021	Senator the Hon Simon Birmingham	Continuation and expansion of the annual performance statements audits	The ANAO will continue its program of work with three entities for the 2020–21 performance statements, and add three new entities to the program of audits for the 2021–22 performance statements. The ANAO will continue to liaise with the Joint Committee of Public Accounts and Audit (to ensure ongoing improvements in programs and practice.
28 October 2021	19 November 2021	Senator Malcolm Roberts	National Disaster Relief and Recovery Arrangements	The ANAO will respond to questions in the letter, also placed on notice, through the established Senate estimates process ^{(c) (d)}
5 November 2021	19 November 2021	Ms Alicia Payne MP	Australian War Memorial expansion	Will consider the matter raised as a part of potential audit included in Annual Audit Work Program 2021–22
17 November 2021	13 December 2021	Senator Jordon Steele-John	Administration of a Pharmaceutical Benefits Scheme program for opioid dependency treatment	Do not propose to include the topic in the Annual Audit Work Program 2021–22
20 December 2021	17 January 2022	The Hon Tanya Plibersek MP	Administration of Australian Research Council grants	No additional issues identified to warrant prioritising in the Annual Audit Work Program 2021–22
15 February 2022	10 March 2022	Senator the Hon Eric Abetz	University of Tasmania relocation	Consider including as a potential audit topic in the Annual Audit Work Program 2022–23

Date of request	Date of response	Requested by	Audit request relating to	Response provided to request
24 March 2022	13 April 2022	Mr Adam Bandt MP	Carbon credit methodology determinations made under the <i>Carbon Credits (Carbon Farming Initiative) Act 2011</i> , and administration of the Act by the Clean Energy Regulator	Will consider the matter referred as part of the development of the potential audit topic 'Contracting and integrity in the Emissions Reduction Fund' included in the draft Annual Audit Work Program 2022–23
28 March 2022	22 April 2022	Senator the Hon Eric Abetz	Inclusion of the ABC defamation case payment in the Annual Audit Work Program 2022–23	Consider including as a potential audit topic in the Annual Audit Work Program 2022–23
5 April 2022	2 May 2022	Senator Rex Patrick	Appointments to government bodies prior to the 2022 federal election	Consider including as a potential audit topic in the Annual Audit Work Program 2022–23
8 June 2022	5 July 2022	The Hon Richard Marles MP	Review of the Workforce Australia procurement process	A topic has been included in the Annual Audit Work Program 2022–23

- (a) An audit Management of Migration to Australia — Family Reunion and Partner Related Visas commenced and is due to table November 2022.
- (b) An audit of the Australian Research Council's Administration of the National Competitive Grants Program was tabled in August 2019.
- (c) An audit of the National Recovery and Resilience Agency's Administration of the Disaster Recovery Funding Arrangements has commenced and is due to table March 2023.
- (d) The ANAO responded to Senator Malcolm Roberts 2021–22 Supplementary budget estimates written questions on notice on 10 December 2021.

Note: Parliamentarians are advised on the outcome of the request when the Annual Audit Work Program is released.

Report on financial performance

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

Overview of financial performance and future financial viability

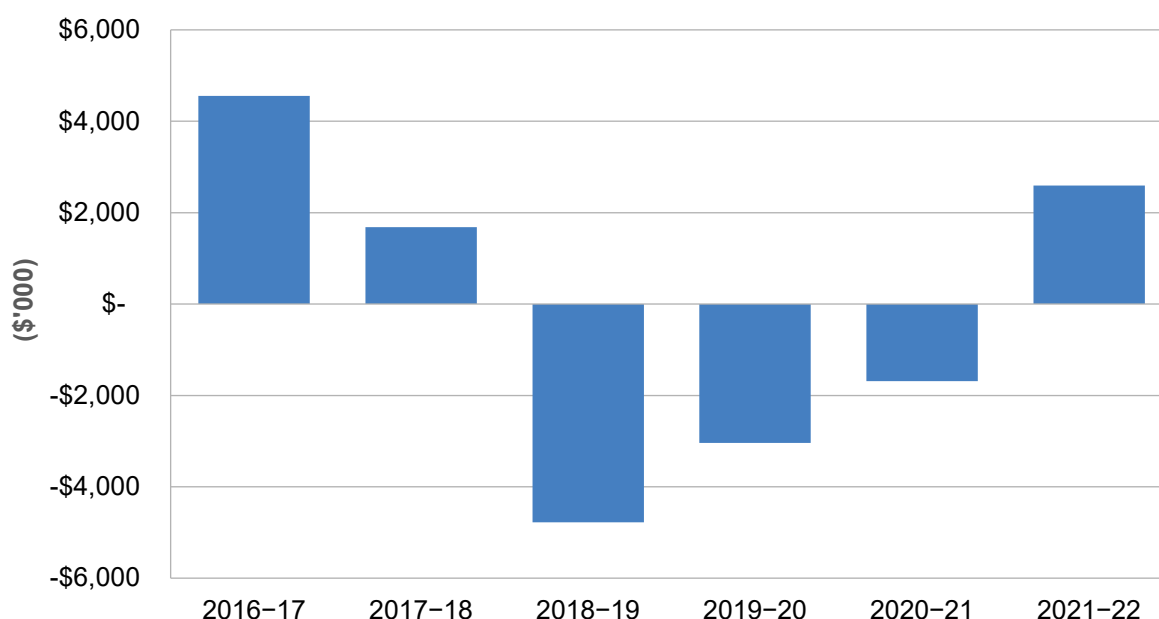
The ANAO reported a total comprehensive income loss of \$1.310 million in 2021–22. Excluding the impact of depreciation, the ANAO’s result for the 2021–22 financial year was an operating surplus of \$2.445 million (Figure 3.1).

As part of the federal Budget 2021–22, additional funding was provided for the ANAO to support the delivery of the ANAO’s mandatory financial statements audit program; rebuild resources to enable the ANAO to target 48 performance audits by 2024–25; meet ongoing quality, data analysis, evidence extraction and data storage requirements; and introduce and deliver a staged program of performance statements audits.

The ANAO commenced 2021–22 with an average staffing level close to 20 per cent below the average staffing level cap of 363. An increasingly competitive labour market, coupled with an attrition rate of 21.4 per cent, have posed challenges to the ANAO for the recruitment and retention of highly trained technical and specialised auditors. The competitive labour market has also impacted the ANAO’s ability to engage skilled auditors and IT professionals for contract-in resources to supplement the workforce. Lower-than-expected expenditure against budget for employee benefits and contract-in resource supplementation are primary drivers for the surplus result of \$2.445 million (excluding depreciation and amortisation expenses).

The ANAO is continuing to invest in IT and other technology solutions, including the development of modern, consumption-based cloud computing to enable a robust, flexible and cost-effective technology environment. This has resulted in savings as infrastructure as a service applications are transitioned to cloud-based services. COVID-19 restrictions early in the financial year resulted in a reduction to professional development expenses due to social distancing requirements and lockdowns.

Figure 3.1: Operating result, excluding depreciation and amortisation, 2016–17 to 2021–22



An increasingly competitive labour market poses risks and challenges to the ANAO both in terms of availability of skilled auditors and pricing for contract-in resources to supplement the workforce during the financial audit season. Quality auditing is equally important in both the public and private sectors and the ANAO must position itself as a competitive employer of choice to attract professionals with strong technical skills. Maintaining resourcing requirements and investing in an improved program of learning and development is a critical area of focus for the ANAO in building our workforce capability.

The ANAO will continue to leverage technology to support the delivery of our work, maintain connection with entities, and increase the flexibility of our audit approach. Future technology investments will continue to enhance the ANAO’s security environment, with a focus on:

- maintaining strong organisational cyber resilience;
- streamlining secure data governance, collection and classification methods;
- developing modern, consumption-based cloud computing to enable a robust, flexible and cost-effective technology environment that can readily scale to support peak work patterns; and
- building high-capacity data storage and computer platforms to support enhanced data analytics, modelling and automation.

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

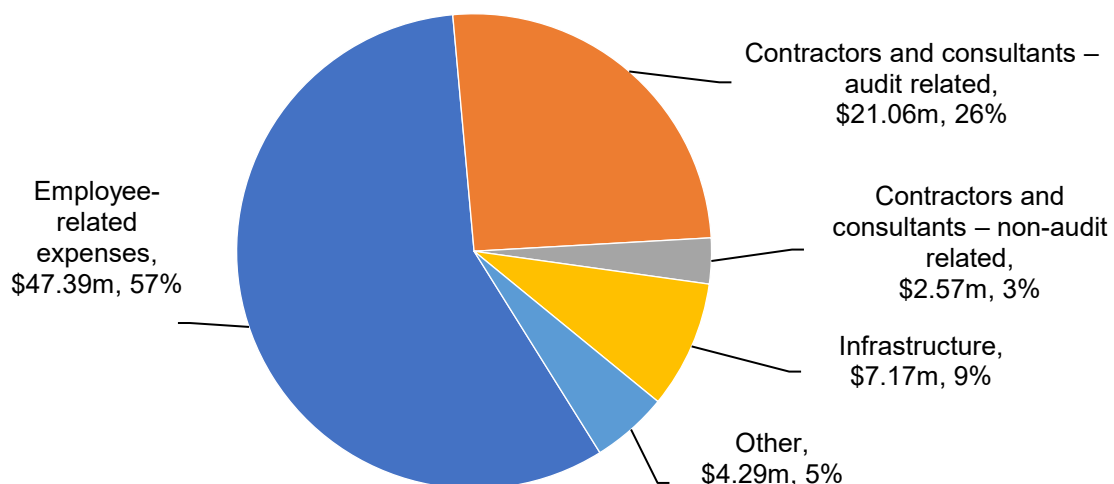
Expense impacts

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

Where required, the ANAO also engages contractors and consultants, such as valuers and actuaries, to provide expertise required to complete the audit program. In 2021–22, contractors and consultants for non-audit services were engaged to fill key resourcing gaps and provide the ANAO with the right technical expertise to deliver its IT projects to enhance cybersecurity.

The ANAO’s total expenses for 2021–22 were \$82.477 million, excluding depreciation and amortisation expenses (Figure 3.2).

Figure 3.2: Expenses by type, 2021–22



Financial position

The ANAO's overall financial position continued to remain sound in 2021–22 (Table 3.8):

- total assets reduced as at 30 June 2022 to \$72.875 million; and
- total liabilities increased to \$54.577 million.

The majority of the ANAO's assets are financial assets, with the largest balance being appropriation receivable (\$27.683 million). The ANAO's appropriation receivable has increased by \$4.863 million since 2020–21, reflecting the additional departmental appropriation received from 2021–22 budget supplementation.

The majority of the ANAO's liabilities are comprised of employee provisions (\$13.655 million) and payables (\$5.930 million).

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

Table 3.8: Summary of financial performance, 2021–22 and 2020–21

	2021–22 (\$'000)	2020–21 (\$'000)	Variance (\$'000)	Variance (%)
Statement of comprehensive income				
Total own-source revenue	4,096	4,295	(199)	(4.63)
Total revenue from government	80,977	68,583	12,394	18.07
Total expenses	86,383	78,574	7,809	9.94
Net surplus/(deficit)	(1,310) ^(a)	(5,696)	4,386	(77.00)
Statement of financial position				
Total assets	72,875	69,945	2,930	4.2
Total liabilities	54,577	51,292	3,285	6.4
Net assets	18,298	18,653	(355)	(1.9)
Equity	18,298	18,653	(355)	(1.9)

(a) The ANAO's operating result was a surplus of \$2.445 million in 2021–22, excluding depreciation and amortisation.

Revenue impacts

Government revenue from departmental and special appropriations was \$80.977 million in 2021–22 — an increase of \$12.394 million from 2020–21 — as supplementary funding was received to fund the ANAO's operations.

Own-source revenue in 2021–22 was \$4.096 million, \$0.199 million less than the own-source revenue earned in 2020–21. In 2020–21, the ANAO received revenue following storm damage in January 2020 and a rental rebate, and similar revenue was not received in 2021–22.

Entity resource statement

The entity resource statement provides additional information about the various funding sources that the ANAO may draw upon during the year. Appendix B details the resources available to the ANAO during 2021–22 and sets out the ANAO's summary of total expenses for Outcome 1.

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Independent Auditor's Report

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

Opinion

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

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Australian National Audit Office as at 30 June 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 and Australian Accounting Standards – Reduced Disclosure Requirements including the Australian Accounting Interpretations.

The financial statements comprise:

- Statement of financial position as at 30 June 2022;
- Statement of comprehensive income for the year then ended;
- Statement of changes to equity for the year then ended;
- Cash flow statement for the year then ended;
- Administered schedule of comprehensive income for the year then ended;
- Administered schedule of assets and liabilities as at the year then ended;
- Administered reconciliation schedule as at the year then ended;
- Administered cash flow statement for the year then ended;
- Notes to the financial statements, which include a summary of significant accounting policies; and
- Statement by the Auditor-General and the Chief Financial Officer.

Basis for opinion

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

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

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

Responsibilities of the Auditor-General for the financial statements

The Auditor-General is responsible for:

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

Auditor’s responsibilities for the audit of the financial statements

My objective is:

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

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

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

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




Eileen Hoggett
Independent Auditor

Sydney
11 August 2022

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

In our opinion, the attached financial statements for the year ended 30 June 2022 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
11 August 2022

Signed 

Alison Garth
Chief Finance Officer
11 August 2022

Australian National Audit Office
Statement of Comprehensive Income
for the year ended 30 June 2022

		2022	2021	2022 Original Budget
	Notes	\$'000	\$'000	\$'000
NET COST OF SERVICES EXPENSES				
Employee benefits	2.1A	47,387	42,348	48,367
Suppliers	4.1A	34,396	31,708	36,148
Depreciation and amortisation	5.2A	3,906	4,010	3,890
Finance costs		503	500	505
Write-down and impairment of other assets	5.2A	191	8	-
Total expenses		86,383	78,574	88,910
OWN-SOURCE INCOME				
Own-source revenue				
Revenue from contracts with customers		2,523	2,440	2,800
Rendering of other services		400	677	-
International development funding		1,173	581	1,300
Other revenue		-	597	-
Total own-source revenue	4.2A	4,096	4,295	4,100
Net cost of services		82,287	74,279	84,810
REVENUE FROM GOVERNMENT				
Departmental annual appropriations		80,291	67,879	80,291
Departmental special appropriations		686	704	778
Total Revenue from Government	4.3A	80,977	68,583	81,069
Deficit on continuing operations		(1,310)	(5,696)	(3,741)
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation reserve		-	560	-
Total comprehensive loss		(1,310)	(5,136)	(3,741)

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

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

Australian National Audit Office
Statement of Financial Position
as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000	2022 Original Budget \$'000
ASSETS				
Financial assets				
Cash and cash equivalents	5.1A	2,211	740	629
Trade and other receivables	5.1B	<u>29,408</u>	<u>24,675</u>	<u>21,465</u>
Total financial assets		<u>31,619</u>	<u>25,415</u>	<u>22,094</u>
Non-financial assets				
Leasehold improvements ¹	5.2A	37,131	40,213	36,528
Plant and equipment	5.2A	3,323	2,877	2,677
Computer Software	5.2A	296	626	1,836
Prepayments		<u>506</u>	<u>814</u>	<u>316</u>
Total non-financial assets		<u>41,256</u>	<u>44,530</u>	<u>41,357</u>
Total assets		<u>72,875</u>	<u>69,945</u>	<u>63,451</u>
LIABILITIES				
Payables				
Suppliers	5.3A	3,013	3,348	2,399
Other payables		<u>2,917</u>	<u>1,030</u>	<u>1,207</u>
Total payables		<u>5,930</u>	<u>4,378</u>	<u>3,606</u>
Interest bearing liabilities				
Leases	5.4A	<u>34,992</u>	<u>34,822</u>	<u>34,341</u>
Total interest bearing liabilities		<u>34,992</u>	<u>34,822</u>	<u>34,341</u>
Provisions				
Employee provisions	2.1B	<u>13,655</u>	<u>12,092</u>	<u>12,696</u>
Total provisions		<u>13,655</u>	<u>12,092</u>	<u>12,696</u>
Total liabilities		<u>54,577</u>	<u>51,292</u>	<u>50,643</u>
Net assets		<u>18,298</u>	<u>18,653</u>	<u>12,808</u>
EQUITY				
Contributed equity		17,947	16,992	17,389
Reserves		1,124	1,124	564
Accumulated surplus/(deficit)		<u>(773)</u>	<u>537</u>	<u>(5,145)</u>
Total Equity		<u>18,298</u>	<u>18,653</u>	<u>12,808</u>

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

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

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

Australian National Audit Office
Statement of Changes to Equity
for the year ended 30 June 2022

	Notes	Retained surplus		Asset revaluation reserve		Contributed equity		Total equity	
		2022 \$'000	2021 \$'000	2022 Original Budget \$'000	2021 \$'000	2022 \$'000	2021 \$'000	2022 Original Budget \$'000	2021 \$'000
Opening balance as at 1 July		537	6,233	1,124	564	16,992	15,482	16,434	22,279
Comprehensive income									
Deficit for the year		(1,310)	(5,696)	(3,741)	-	-	-	-	(5,696)
Other comprehensive income		-	-	-	560	-	-	-	560
Total comprehensive income		(1,310)	(5,696)	(3,741)	560	-	-	-	(5,136)
Transactions with owners									
Contributions by owners	3.1A	-	-	-	-	955	1,510	955	1,510
Departmental capital budget		-	-	-	-	955	1,510	955	1,510
Total transactions with owners		(773)	537	(5,145)	1,124	17,947	16,992	17,389	18,653
Closing balance as at 30 June									

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

Australian National Audit Office
Cash Flow Statement
for the year ended 30 June 2022

	2022	2021	2022 Original Budget
	\$'000	\$'000	\$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations for operating activities	85,096	77,640	81,069
Rendering of services	3,875	3,629	4,100
Net GST received	3,042	3,200	-
Total cash received	<u>92,013</u>	<u>84,469</u>	<u>85,169</u>
Cash used			
Employees	43,772	43,013	48,367
Suppliers	37,278	34,142	36,148
Receipts transferred to OPA	9,152	6,872	-
Interest payments on lease liabilities	189	184	505
Total cash used	<u>90,391</u>	<u>84,211</u>	<u>85,020</u>
Net cash from operating activities	<u>1,622</u>	<u>258</u>	<u>149</u>
INVESTING ACTIVITIES			
Cash used			
Purchase of plant and equipment	1,071	234	320
Purchase of intangibles	54	41	635
Total cash used	<u>1,125</u>	<u>275</u>	<u>955</u>
Net cash used by investing activities	<u>(1,125)</u>	<u>(275)</u>	<u>(955)</u>
FINANCING ACTIVITIES			
Cash received			
Contributed equity	1,125	275	955
Total cash received	<u>1,125</u>	<u>275</u>	<u>955</u>
Cash used			
Principal payments of leases liabilities	151	147	149
Total cash used	<u>151</u>	<u>147</u>	<u>149</u>
Net cash from financing activities	<u>974</u>	<u>128</u>	<u>806</u>
Net increase in cash held	<u>1,471</u>	<u>111</u>	<u>-</u>
Cash and cash equivalents at the beginning of the reporting period	740	629	629
Cash and cash equivalents at the end of the reporting period¹	<u>2,211</u>	<u>740</u>	<u>629</u>

¹As shown in the Statement of Financial Position.

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

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

Australian National Audit Office			
Administered Schedule of Comprehensive Income			
for the year ended 30 June 2022			
		2022	2021
	Notes	\$'000	\$'000
			2022 Original Budget \$'000
INCOME			
Non-taxation revenue			
Revenue from contracts with customers		14,888	14,691
Total income administered on behalf of Government¹		14,888	14,691
The above schedule should be read in conjunction with the accompanying notes.			
Administered Schedule of Assets and Liabilities			
as at 30 June 2022			
		2022	2021
	Notes	\$'000	\$'000
			2022 Original Budget \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents		-	247
Trade and other receivables	5.1C	7,127	8,380
Total financial assets		7,127	8,627
Total assets administered on behalf of Government		7,127	8,627
LIABILITIES			
Payables			
GST payable		117	553
Total payables		117	553
Total liabilities administered on behalf of government		117	553
Net assets		7,010	8,074
The above schedule should be read in conjunction with the accompanying notes.			
¹ Please refer to Note 1 for explanations of major variances between original budgeted and actual amounts.			

Australian National Audit Office**Administered Reconciliation Schedule**

as at 30 June 2022

	Notes	2022 \$'000	2021 \$'000
Opening assets less liabilities as at 1 July 2021		8,074	5,829
Net contribution by services			
Revenue from contracts with customers		14,888	14,691
Transfers to the Australian Government			
Transfers to the Official Public Account		(15,952)	(12,446)
Closing assets less liabilities as at 30 June 2022		7,010	8,074

Accounting Policy

Administered Cash Transfers to and from the Official Public Account

Revenue collected by the ANAO for use by the Government rather than the ANAO is administered revenue. Collections are transferred to the Official Public Account (OPA) maintained by the Department of Finance. Conversely, cash is drawn from the OPA to make payments under Parliamentary appropriation on behalf of Government. These transfers to and from the OPA are adjustments to the administered cash held by the ANAO on behalf of the Government and reported as such in the schedule of administered cash flows and in the administered reconciliation schedule.

Administered Cash Flow Statement

for the period ended 30 June 2022

	Notes	2022 \$'000	2021 \$'000
OPERATING ACTIVITIES			
Cash received			
Rendering of audit services		17,320	13,781
Total cash received		17,320	13,781
Cash used			
GST paid		1,615	1,242
Total cash used		1,615	1,242
Net cash from operating activities		15,705	12,539
Net increase in cash held		15,705	12,539
Cash and cash equivalents at the beginning of period		247	154
Cash to the Official Public Account for:			
- Appropriations		15,952	12,446
Cash and cash equivalents at the end of the reporting period¹		-	247

¹ As shown in the Administered Schedule of Assets and Liabilities.

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

Overview

Australian National Audit Office

Overview

Objectives of the Entity

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

The ANAO conducts the following administered activities:

- Financial statements audits of Corporate Commonwealth entities, companies and their subsidiaries subject to the *Public Governance, Performance and Accountability Act 2013*.

The ANAO is an Australian Government controlled and not-for-profit entity domiciled in Australia. The ANAO's principal place of business is 38 Sydney Avenue, Forrest in the Australian Capital Territory.

Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

- a) the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and
- b) Australian Accounting Standards and Interpretations – including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

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

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

Significant Accounting Judgements and Estimates

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

- The fair value of property, plant and equipment is assessed at market value or current replacement costs as determined by an independent valuer with the last valuation being performed on 30 June 2021. Fair value is subject to management assessment in between formal valuations; and
- Leave provisions involve assumptions based on the expected tenure of existing staff, patterns of leave claims and payouts, future salary movements and future discount rates.

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

Australian National Audit Office

Overview (continued)

Taxation

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

Reporting of Administered Activities

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

Accounting policy - administered financial instruments

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

New Australian Accounting Standards

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

Standard/ Interpretation	Nature of changes in accounting policy
AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities	AASB 1060 applies to annual reporting periods beginning on or after 1 July 2021 and replaces the Reduced Disclosure Requirements (RDR) framework. The application of AASB 1060 has resulted in minor changes to the ANAO's disclosures to align with the new requirements. The application of AASB 1060 has not impacted the recognition or measurement of financial information.

Events After the Reporting Period

Departmental

No events have occurred after the reporting date that should be brought to account or noted in the 2021-22 financial statements.

Administered

No events have occurred after the reporting date that should be brought to account or noted in the 2021-22 financial statements.

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

Note 1: Budget Variances

Note 1.1A: Explanations of Major Variances

The following tables provide high level commentary of major variances between budgeted information for the ANAO published in the Prime Minister and Cabinet's 2021-22 Portfolio Budget Statements (PBS) and the 2021-22 final outcome as presented in accordance with Australian Accounting Standards for the ANAO. The original budget is not audited. Major variances are reported on the basis of professional judgment and are not focussed merely on numerical differences between the original budget and actual amounts.

Explanations of major variances	Variance to Original Budget		Affected line items
	\$'000	%	
Departmental Items			
Employee Benefits/Employees:			
The ANAO received funding at the 2021-22 Budget to support the delivery of the ANAO's mandatory financial statements audit program; re-build resources to enable the ANAO to target 48 performance audits by 2024-25; meet ongoing quality, data analysis, evidence extraction and data storage requirements; and to introduce and deliver a staged program of performance statements audits. The ANAO commenced 2021-22 with an average staffing level almost 20% below the ASL cap of 363. With an increasingly competitive labour market coupled with an attrition rate of 21.4%, these factors have posed challenges to the ANAO for the recruitment and retention of highly trained technical and specialised auditors.	(980)	-2%	Statement of Comprehensive Income - Employee Benefits
	(4,595)	-10%	Cashflow - Employees
Employees: The budgeted cashflow amount will be reassessed in the next budget round and aligned appropriately.			
Supplier Expenses:			
The ANAO is continuing to invest in IT and technology solutions, including the development of modern, consumption-based cloud computing to enable a robust, flexible, and cost-effective technology environment. This has resulted in savings as Infrastructure as a Service (IaaS) applications are transitioned to cloud-based services. COVID-19 restrictions early in the financial year resulted in a reduction to professional development expenses due to social distancing requirements and lockdowns.	(1,752)	-5%	Statement of Comprehensive Income - Suppliers
Suppliers Payable:			
The need for contractual arrangements to enable the completion of mandatory financial statements audits accrued at 30 June 2022 resulted in higher than expected accrued expenses.	614	26%	Statement of Financial Position - Suppliers
Write-down and impairment of assets:			
The ANAO decommissioned its primary communication tool Skype for Business in 2021-22 with the implementation of Microsoft 365 providing external communications via Microsoft Teams.	191	100%	Statement of Comprehensive Income - Write-down and impairment of assets

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

Departmental Items (continued)			
<p>Rendering of other services: Rendering of other services revenue is made up of parking revenue and secondment fee revenue. The ANAO does not budget for these revenue streams, however both are recovered on a full-cost recovery basis.</p>	400	100%	Statement of Comprehensive Income - Rendering of other services
<p>Cash and Cash equivalents: Increase to the cash balances as a result of timing of multiple high-valued receipts into the bank account on 30 June 2022 this included an amount paid by a supplier into the departmental account instead of our administered account. The ANAO generally seeks to maintain no greater than the budgeted cash balance at any given time.</p>	1,582	252%	Statement of Financial Position - Cash and Cash equivalents
<p>Trade and other receivables: Trade and other receivables is made up of appropriation receivable and revenue receivable from audit-fee paying clients. The ANAO maintains a balance of prior year appropriation sufficient to cover its liabilities.</p>	7,943	37%	Statement of Financial Position - Trade and other receivables
<p>Other payables: The majority of other payables relates to an intercompany payable that was incorrectly paid on 30 June 2022 resulting in an overstated cash balance and insufficient time to transfer this between ANAO bank accounts. In addition, the budget does not account for monies payable to other Government entities for staff leave liability transfers.</p>	1,710	142%	Statement of Financial Position - Other payables
<p>Interest payments on lease liabilities: Interest expense relates to the ANAO's leases as a result of the implementation of the accounting standard AASB 16 Leases. The lease schedules will be reassessed and the budgeted cashflow amount will be realigned in the next budget.</p>	(316)	-63%	Cashflow - Interest payments on lease liabilities
<p>Purchase of plant and equipment: The ANAO invested in office fit-out improvements to support staff accommodation requirements. In addition, to achieve maturity level three under the Australian Cyber Security Centre's Essential Eight Maturity Model, the ANAO has procured new desktop and telecommunications hardware.</p>	751	235%	Cashflow - Purchase of plant and equipment
<p>Contributed equity: The additional purchase of plant and equipment has utilised the total current year departmental capital budget (DCB) and a portion of the prior year unspent DCB which was not included in the current year budget.</p>	170	18%	Cashflow - Contributed equity

Administered Items			
<p>Revenue from contracts with customers: Higher than budgeted revenue relates to increased costs for delivery of audits of corporate Commonwealth entities and Commonwealth companies largely as a result of increased complexity in accounting for financial statement items and the need for additional valuation experts for complex financial instruments and valuations/impairments.</p>	2,588	21%	Schedule of Comprehensive Income - Revenue from contracts with customers

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

	2022	2021
	\$'000	\$'000
Note 2.1A: Employee Benefits		
Wages and salaries	35,941	33,398
Superannuation		
Defined contribution plans	3,951	3,383
Defined benefit plans	2,266	2,271
Leave entitlements	4,982	2,683
Separation and redundancies	29	371
Other employee expenses	218	242
Total employee benefits	47,387	42,348

Note 2.1B: Employee Provisions

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

Accounting Policy

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

Leave:

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

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

The liability for long service leave (LSL) has been determined using the LSL shorthand model issued by the Department of Finance (2021: LSL shorthand method). The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and enterprise agreements, which is unchanged from prior years.

Separation and Redundancy:

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

Termination Benefits:

For separation and redundancies, the nature of the benefit comprises lump sum termination payments relating to voluntary and involuntary redundancies. For voluntary redundancies, the amount of the ANAO's obligation and extent of funding is Nil as at 30 June 2022 (2021: \$370,970). For involuntary redundancies, the amount of the ANAO's obligation and the extent of funding is \$28,796 as at 30 June 2022 (2021: Nil).

Superannuation:

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

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

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

The ANAO makes employer contributions to the employees' superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government, and accounts for the contributions as if they were contributions to defined contribution plans. The liability for superannuation recognised as at 30 June 2022 represents outstanding contributions.

Note 2.2: Key Management Personnel

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

Members of the Executive Board of Management were as follows:

Officer	Position	Term as KMP – 2021-22	Term as KMP – 2020-21
Grant Hehir	Auditor-General	Full Year	Full Year
Rona Mellor	Deputy Auditor-General	Full Year	Full Year
Jane Meade	Group Executive Director	Full Year	Full Year
Carla Jago	Group Executive Director	Full Year	Full Year
Anastasios Ioannou	Group Executive Director	Full Year	Full Year
Bola Oyetunji	Group Executive Director	Full Year	Full Year
Jacqueline Walton	Senior Executive Director	Full Year	Part Year from 27 April 2021
Lesa Craswell	Senior Executive Director	Full Year	Part Year from 12 April 2021
Geraldine Quinane	Chief Finance Officer	Part Year to 1 June 2022	Full Year
George Sotiropoulos	Group Executive Director	Part Year from 11 October 2021	
Alison Garth	Chief Finance Officer (Acting)	Part Year from 2 June 2022	

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

The following tables are prepared on an accruals basis.

	2022	2021
	\$	\$
Note 2.2A: Key Management Personnel Remuneration		
Short-term benefits:		
Base Salary	2,840,832	2,618,885
Bonus	7,218	20,410
Other benefits and allowances	171,949	172,800
Total short-term benefits	3,019,999	2,812,095
Superannuation	452,015	422,571
Total post-employment benefits	452,015	422,571
Other long-term benefits:		
Long-service leave	96,310	80,084
Total other long-term benefits	96,310	80,084
Termination benefits	-	37,368
Total key management personnel remuneration	3,568,324	3,352,118

The above Key Management Personnel (KMP) remuneration includes the remuneration and other benefits of the Auditor-General. The Auditor-General's remuneration and other benefits are set by the Remuneration Tribunal and paid from Special Appropriation – Salary of the Auditor-General. Other KMP salaries expenses are paid from ordinary departmental appropriation. The total number of KMP that are included in the above table for the year ended 30 June 2022 is 11 (2021: 11).

Notes:

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

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

Note 2.2B: 2021-22 Key Management Personnel Remuneration Table

Name	Position title	Short-term benefits			Other benefits and allowances	Post-employment benefits		Other long-term benefits		Termination Benefits	Total Remuneration
		Base salary	Bonuses			Superannuation contributions	Long service leave	Other long-term benefits			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Grant Hehir	Auditor-General	676,066	-	-	80,657	16,684	-	-	-	-	773,407
Rona Mellor	Deputy Auditor-General	394,177	-	-	71,398	12,531	-	-	-	-	478,106
Jane Meade	Group Executive Director	245,225	-	25,917	38,816	7,614	-	-	-	-	317,572
Carla Jago	Group Executive Director	259,513	-	25,917	48,951	9,558	-	-	-	-	343,939
Anastasios Ioannou	Group Executive Director	258,325	7,218	25,917	45,234	11,237	-	-	-	-	347,931
Bola Oyetunji	Group Executive Director	263,705	-	29,406	32,044	13,304	-	-	-	-	338,459
Jacqueline Walton	Senior Executive Director	210,334	-	24,920	39,595	7,335	-	-	-	-	282,184
Lesa Craswell	Senior Executive Director	176,989	-	39,872	32,129	7,751	-	-	-	-	256,741
Geraldine Quinane	Chief Finance Officer	142,661	-	-	20,965	5,850	-	-	-	-	169,476
George Sotiropoulos	Group Executive Director	201,916	-	-	40,109	4,183	-	-	-	-	246,208
Alison Garth	Chief Finance Officer (Acting)	11,921	-	-	2,117	263	-	-	-	-	14,301
Total		2,840,832	7,218	171,949	452,015	96,310	-	-	-	-	3,568,324

Notes:

1. This table is prepared on an accrual basis.
2. This table reports the total remuneration of KMP who received remuneration during the reporting period.
3. The Short-term benefits is comprised of:
 - a) Base Salary (including: paid and accrued; paid while on annual leave; paid while on sick leave; higher duties allowance and purchased annual leave)
 - b) Bonuses – payable within 12 months; and
 - c) other benefits and allowances (SES vehicle allowance).
4. The Superannuation contributions amount is the ANAO's superannuation contributions, including productivity component, for the reporting period.
5. The Other long-term benefits is the amount of long service leave accrued and deferred (more than 12 months) for the reporting period. It also includes any salary paid while on long service leave.
6. Some of the figures are impacted by the duration of service as a KMP. Note 2.2 provides detail of the length of service for officers that were classified as KMP.

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

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

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

Notes:

- This table is prepared on an accrual basis.
- This table reports the total remuneration of KMP who received remuneration during the reporting period.
- The Short-term benefits is comprised of:
 - Base Salary (including: paid and accrued; paid while on annual leave; paid while on sick leave; higher duties allowance and purchased annual leave)
 - Bonuses – payable within 12 months; and
 - other benefits and allowances (SES vehicle allowance).
- The Superannuation contributions amount is the ANAO's superannuation contributions, including productivity component, for the reporting period.
- The Other long-term benefits is the amount of long service leave accrued and deferred (more than 12 months) for the reporting period. It also includes any salary paid while on long service leave.
- Some of the figures are impacted by the duration of service as a KMP. Note 2.2 provides detail of the length of service for officers that were classified as KMP.

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

Note 2.3: Remuneration Paid to Senior Executives

Note 2.3A: Senior Executive Remuneration

2021-22

Remuneration Band	Number of Senior Executives	Short-term benefits			Post-employment benefits		Other long-term benefits		Termination Benefits		Total Remuneration	
		Average Base salary	Average Bonuses	Average Other benefits and allowances ^(a)	Average Superannuation contributions	Average Long service leave	Average Other long-term benefits	Average Termination Benefits	Excluding overseas housing allowances	Including overseas housing allowances	Average total remuneration ^(a)	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$220,000 or less	10	91,311	3,256	13,870	14,986	3,410	-	-	-	126,833	126,833	
\$220,001 to \$245,000	9	176,655	1,144	24,126	28,280	5,595	-	-	-	235,800	235,800	
\$245,001 to \$270,000	3	180,323	3,995	21,043	29,133	9,255	-	-	-	243,749	243,749	
\$270,001 to \$295,000	3	205,784	3,312	24,920	36,195	7,213	-	-	-	277,424	277,424	
\$295,001 to \$320,000	1	211,802	-	40,067	40,633	9,105	-	-	-	301,607	301,607	
\$345,001 to \$370,000	1	183,731	-	106,064	32,544	5,824	-	-	-	247,019	247,019	

a) Other short-term benefits and allowances include overseas housing allowance and benefits paid on behalf of APS staff posted overseas. These staff are remunerated in accordance with the Whole of Government Overseas Conditions of Service Policy that is designed to compensate for the differences in locations in such matters as the cost of living, the cost of accommodation and the security environment. In these circumstances the total value of an individual staff member's total remuneration is impacted by the value of the overseas housing benefits and allowances paid on behalf of the staff member and the table above is reported to enable a fuller understanding of the extent of this impact while still reporting the total remuneration of each relevant staff member as required by the disclosure requirements of the PGPA Rule.

Notes:

- This table is prepared on an accrual basis.
- This table reports the average total remuneration of Senior Executives who received remuneration during the reporting period.
- The Short-term benefits is comprised of:
 - the average Base Salary (including: paid and accrued; paid while on annual leave; paid while on sick leave; higher duties allowance and purchased annual leave)
 - the average Bonuses – payable within 12 months; and
 - the average of other benefits and allowances (SES vehicle allowance).
- The Superannuation contributions amount is the average of the ANAO's superannuation contributions, including productivity component, for the reporting period.
- The Other long-term benefits is the average amount of long service leave accrued and deferred (more than 12 months) for the reporting period. It also includes the average of any salary paid while on long service leave.
- Those ANAO officers that have been classified as KMP (as per Note 2.2B) have not been included in this note disclosure.
- The average other benefits and allowances have not been split to show the overseas housing allowances in the prior year comparative table as the value of these particular benefits and allowances did not distort the total remuneration.
- All Senior Executive Remuneration of acting arrangements greater than four weeks are captured in this note.

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

2020-21

Remuneration Band	Number of Senior Executives	Average Base salary		Short-term benefits		Post-employment benefits		Other long-term benefits		Termination Benefits	Total Remuneration
		Average salary	Base salary	Average Bonuses	Average benefits and allowances	Average Superannuation contributions	Average Long service leave	Average long-term benefits	Average Termination Benefits		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
\$220,000 or less	10	118,115	1,508	19,998	20,763	(106)	-	-	-	-	160,278
\$220,001 to \$245,000	6	172,659	838	24,455	31,371	4,478	-	-	-	-	233,801
\$245,001 to \$270,000	2	179,487	2,567	26,022	35,231	9,140	-	-	-	-	252,447
\$270,001 to \$295,000	4	196,847	3,073	42,928	37,452	6,255	-	-	-	-	286,555

Notes:

1. This table is prepared on an accrual basis.
2. This table reports the average total remuneration of Senior Executives who received remuneration during the reporting period.
3. The Short-term benefits is comprised of:
 - a) the average Base Salary (including: paid and accrued; paid while on annual leave; paid while on sick leave; higher duties allowance and purchased annual leave)
 - b) the average Bonuses – payable within 12 months; and
 - c) the average of other benefits and allowances (SES vehicle allowance).
4. The Superannuation contributions amount is the average of the ANAO's superannuation contributions, including productivity component, for the reporting period.
5. The Other long-term benefits is the average amount of long service leave accrued and deferred (more than 12 months) for the reporting period. It also includes the average of any salary paid while on long service leave.
6. Those ANAO officers that have been classified as KMP (as per Note 2.2B) have not been included in this note disclosure.
7. The average other benefits and allowances have not been split to show the overseas housing allowances in this prior year comparative table as the value of these particular benefits and allowances did not distort the total remuneration.
8. All Senior Executive Remuneration of acting arrangements greater than four weeks are captured in this note.

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

Note 2.4: Remuneration Paid to Highly Paid Staff

Note 2.4A: Other Highly Paid Staff Remuneration

Remuneration Band	Number of Other Highly Paid Staff	Short-term benefits			Post-employment benefits		Other long-term benefits		Termination Benefits		Total Remuneration	
		Average Base salary	Average Bonuses	Average Other benefits and allowances ^(a)	Average Superannuation contributions	Average Long service leave	Average Other long-term benefits	Average Termination Benefits	Average total remuneration ^(a)	Excluding overseas housing allowances	Including overseas housing allowances	
\$245,001 - \$270,000	1	\$ 150,317	\$ 5,671	\$ 69,132	\$ 4,984	\$ 21,690	\$ 6,062	\$ -	\$ -	\$ 188,724	\$ 257,856	

All other highly paid personnel are remunerated under the terms set out in the ANAO Enterprise Agreement 2016-2019 and Section 24(1) Determination.

a) Other short-term benefits and allowances include overseas housing allowance and benefits paid on behalf of APS staff posted overseas. These staff are remunerated in accordance with the Whole of Government Overseas Conditions of Service Policy that is designed to compensate for the differences in locations in such matters as the cost of living, the cost of accommodation and the security environment. In these circumstances the total value of an individual staff member's total remuneration is impacted by the value of the overseas housing benefits and allowances paid on behalf of the staff member and the table above is reported to enable a fuller understanding of the extent of this impact while still reporting the total remuneration of each relevant staff member as required by the disclosure requirements of the PGPA Rule. (2021: Nil).

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

Transactions with related parties:

Significant transactions with related parties can include:

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

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

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

Note 3: Funding

This section identifies the ANAO's funding structure.

Note 3.1: Appropriations

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

	2022 \$'000	2021 \$'000
Ordinary annual services	80,291	67,879
Departmental capital budget ¹	955	1,510
Receipts retained under PGPA Act - Section 74 ²	8,759	6,600
Total appropriation	90,005	75,989
Appropriation applied (current and prior years)	84,909	76,829
Variance	5,096	(840)

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

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

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

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

	2022 \$'000	2021 \$'000
Authority		
Departmental		
Appropriation Act (No. 1) 2020-21	-	23,560
Appropriation Act (No. 1) 2021-22	28,656	-
Total departmental	28,656	23,560

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

	Appropriation Applied 2022 \$'000	Appropriation Applied 2021 \$'000
Authority		
Auditor-General Act 1997, Schedule 1, sections 3 and 7 Unlimited amount for the remuneration of the Auditor-General	686	704
Total special appropriations applied	686	704

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

Note 3.2: Special Accounts

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

For the year ended 30 June 2022 the account had a nil balance and there were no transactions debited or credited to it during the current or prior reporting period.

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

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

The ANAO's special account is due to cease on 1 October 2022. The ANAO will not seek a replacement special account.

Note 3.3: Net Cash Appropriation Arrangements

	2022 \$'000	2021 \$'000
Total comprehensive loss - as per the Statement of Comprehensive Income	(1,310)	(5,696)
Plus: depreciation/amortisation of assets funded through appropriations (departmental capital budget funding and/ or equity injections)	1,499	1,605
Plus: depreciation right-of-use assets	2,407	2,405
Less: lease principal repayments	<u>151</u>	<u>147</u>
Net Cash Operating Surplus/(Deficit)	<u>2,445</u>	<u>(1,833)</u>

The ANAO is required to prepare this note as:

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

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

Note 4: Financial Performance

This section analyses the financial performance of the ANAO for the period ended 30 June 2022.

Note 4.1: Expenses

	2022	2021
	\$'000	\$'000
Note 4.1A: Suppliers		
Goods and services		
Consultants and contractors	23,627	22,233
Information and communication technology	6,911	6,002
Travel	330	240
Professional development	871	585
Professional services	514	371
Staff related expenses	698	608
Recruitment	626	351
Property operating expenses	232	358
Other	408	523
Total goods and services supplied	34,217	31,271
Other suppliers		
Low value leases	28	32
Workers compensation expenses	151	405
Total other suppliers	179	437
Total Suppliers	34,396	31,708

Accounting Policy

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

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

Note 4.2: Own-Source Income

	2022 \$'000	2021 \$'000
Note 4.2A: Revenue from Contracts with Customers		
Rendering of audit services	2,523	2,440
Rendering of other services	400	677
International development funding	1,173	581
Other revenue	-	597
Total revenue from contracts with customers	4,096	4,295

	2022 \$'000	2021 \$'000
Note 4.2B: Disaggregation of Revenue from Contracts with Customers		

Major product / service line:		
Service delivery	4,096	4,295
	4,096	4,295
Type of customer:		
Australian Government entities (related parties)	3,696	3,151
Non-government entities	400	1,144
	4,096	4,295
Timing of transfer of goods and services:		
Over time	2,523	2,440
Point in time	1,573	1,855
	4,096	4,295

Accounting Policy

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

Note 4.3: Revenue from Government

Note 4.3A: Accounting Policy

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

Appropriations receivable are recognised at their nominal amounts.

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

Note 5: Financial Position

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

Note 5.1: Financial Assets

Note 5.1A: Cash and Cash equivalents

Accounting Policy

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

Note 5.1B: Trade and Other Receivables

	2022 \$'000	2021 \$'000
Trade receivables	875	831
Contract assets from contracts with customers	385	764
GST receivable from the Australian Taxation Office	465	260
Appropriation receivable	27,683	22,820
Total trade and other receivables	29,408	24,675

	2022 \$'000	2021 \$'000
Note 5.1C: Trade and Other Receivables - Administered		
Trade receivables	2,521	6,073
Contract assets from contracts with customers	4,606	2,307
Total trade and other receivables	7,127	8,380

Credit terms for goods and services were within 30 days (2021: 30 days).

Accounting Policy

Financial assets:

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

Financial Liabilities:

Financial liabilities are measured at amortised cost.

Impairment:

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

As the ANAO's receivables relate to outstanding debts with other Commonwealth entities, no impairment has been recognised for 2021-22 (2020-21: Nil).

Contract assets from contracts with customers:

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

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

Note 5.2: Non-Financial Assets

Note 5.2A Property, Plant and Equipment and Intangibles

Reconciliation of opening and closing balances of property, plant and equipment and intangibles for 2022

	Leasehold Improvements	Plant & equipment	Intangibles - Computer software	Total
	\$'000	\$'000	\$'000	\$'000
As at 1 July 2021				
Gross book value	43,831	2,945	3,864	50,640
Accumulated depreciation, amortisation and impairment	(3,618)	(68)	(3,238)	(6,924)
Total as at 1 July 2021	40,213	2,877	626	43,716
Additions - by purchase or internally developed	-	1,071	54	1,125
Depreciation and amortisation expense	(681)	(616)	(202)	(1,499)
Depreciation on right-of-use assets	(2,407)	-	-	(2,407)
Write down and impairment of assets	-	(9)	(182)	(191)
Adjustments on right-of-use assets	6	-	-	6
Total as at 30 June 2022	37,131	3,323	296	40,750
Total as at 30 June 2022 represented by:				
Gross book value	43,837	4,000	3,412	51,249
Accumulated depreciation, amortisation and impairment	(6,706)	(677)	(3,116)	(10,499)
Total	37,131	3,323	296	40,750
Carrying amount of right-of-use assets	28,567	-	-	28,567

Accounting Policy - Property, plant and equipment

Asset recognition:

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

Lease Right of Use (ROU) Assets:

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

Revaluations of non-financial and intangible assets:

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

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

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

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

Accounting Policy (continued)

Fair Value:

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

Contractual commitments for the acquisition of property, plant, equipment and intangible assets:

Current contractual commitments for the acquisition of property, plant, and equipment consists of \$415,600 (2021: Nil). This is a single contract for the purchase of information technology equipment (mobile phones) to support the implementation of multifactor authentication as required by Australian Cyber Security Centre's essential eight.

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

Impairment:

All assets were assessed for impairment at 30 June 2022, and no material impairment was identified.

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

Derecognition:

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

Depreciation:

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

	2022	2021
Leasehold improvements	Lease term	Lease term
Right-of-use assets	Lease term	Lease term
IT Assets	2 to 11 years	2 to 11 years
Office equipment	5 to 30 years	5 to 30 years

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 (2021: 3 to 5 years).

Impairment:

All intangible assets were assessed for impairment at 30 June 2022. Where indications of impairment exist, intangibles are measured at their recoverable amount, if that amount is lower than the assets current carrying amount.

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

Note 5.3: Liabilities

	2022 \$'000	2021 \$'000
Note 5.3A: Suppliers		
Trade creditors and accruals	3,013	3,348
Total supplier payables	<u>3,013</u>	<u>3,348</u>

Accounting Policy

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced). Supplier payables are settled within 20 days.

Note 5.4: Interest Bearing Liabilities

	2022 \$'000	2021 \$'000
Note 5.4A: Leases		
Lease liabilities		
Leasehold improvements	34,992	34,822
Total leases	<u>34,992</u>	<u>34,822</u>
Maturity analysis - contractual undiscounted cash flows		
Within 1 year	1,974	338
Between 1 to 5 years	14,381	10,386
More than 5 years	22,139	28,103
Total leases	<u>38,494</u>	<u>38,827</u>

Total cash outflow for leases for the year ended 30 June 2022 was \$151,000 (2021: \$147,000)

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

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

Accounting Policy

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

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

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

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

Note 6: Other Information

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

	2022 \$'000	2021 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	2,211	740
Trade and other receivables	29,408	24,675
Prepayments	505	814
Total no more than 12 months	32,124	26,229
More than 12 months		
Leasehold improvements	37,131	40,213
Plant and equipment	3,323	2,877
Computer Software	296	626
Prepayments	1	-
Total more than 12 months	40,751	43,716
Total assets¹	72,875	69,945
Liabilities expected to be settled in:		
No more than 12 months		
Suppliers	3,013	3,348
Other payables	2,917	1,030
Leases	151	150
Employee provisions	3,910	3,357
Total no more than 12 months	9,991	7,885
More than 12 months		
Leases	34,841	34,672
Employee provisions	9,745	8,735
Total more than 12 months	44,586	43,407
Total liabilities	54,577	51,292

	2022 \$'000	2021 \$'000
Assets expected to be recovered in:		
No more than 12 months		
Cash and cash equivalents	-	247
Trade and other receivables	7,127	8,380
Total no more than 12 months	7,127	8,627
Total assets	7,127	8,627
Liabilities expected to be settled in:		
GST payable	117	553
Total no more than 12 months	117	553
Total liabilities	117	553

1. Total Assets includes GST payable.

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

Note 6.2: Remuneration of Auditors

	2022	2021
	\$	\$
Fees for services provided		
Financial statements audit services	90,000	90,000
Performance audit services ¹	100,000	-
Performance statements audit services	<u>55,188</u>	<u>55,188</u>
Total	<u>245,188</u>	<u>145,188</u>

Ms. Eileen Hoggett was appointed as Independent Auditor for 5 years from 1 March 2019 under clause 1 of Schedule 2 to the *Auditor-General Act 1997*. Ms. Hoggett audits the annual performance statements of the ANAO under contract. Ms. Hoggett is appointed in a personal capacity and performs no other services for the ANAO.

1. Performance audit fees are recognised in the financial year where the majority of the audit is performed, timings may not always align with the year that the audit is tabled.

Part 4 — Governance, capability and risk management

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

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

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

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

Governance

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

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

Governance structure

The ANAO's main governance bodies, as at 30 June 2022, are the Executive Board of Management, six subcommittees, four operational committees, and the independent Audit Committee.

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

Executive Board of Management

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

The Executive Board of Management is responsible for supporting the ANAO's strategic direction, overseeing business, identifying strategic and operational risks, managing the ANAO's budget and workforce, and delivering against the commitments and initiatives outlined in annual business plans. The executive board meets monthly, and terms of reference are reviewed annually.

Table 4.1 shows the members of the Executive Board of Management as at 30 June 2022.

Table 4.1: Membership of the Executive Board of Management, at 30 June 2022

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

Staff are informed about key decisions of the Executive Board of Management through communications from the Auditor-General, which are published on the ANAO intranet after each meeting. Information on the remuneration of key management personnel is available at Note 2.2 of the 2021–22 financial statements.

Subcommittees

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

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

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

- **Work Health and Safety Committee** — monitors and reviews the ANAO’s work health and safety (WHS) policies and practices and advises the Executive Board of Management on WHS matters.
- **Information Technology Strategic Committee** — provides advice to the Executive Board of Management on information technology and business system strategic directions and investments.

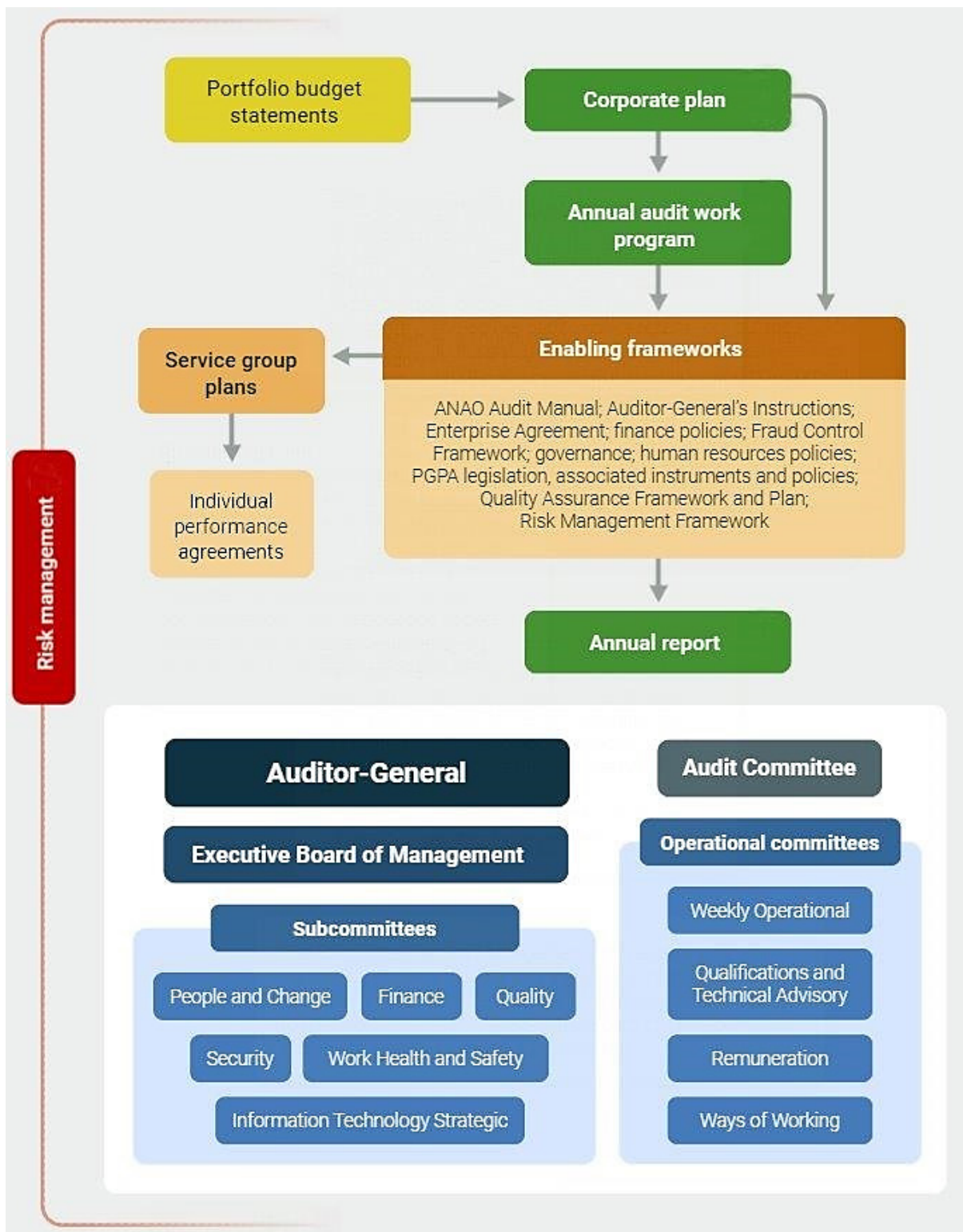
Operational committees

There are four ANAO operational committees:

- **Remuneration Committee** — advises the Auditor-General on remuneration and performance payments.
- **Qualifications and Technical Advisory Committee** — provides a forum for audit engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit-related matters. ANAO policy identifies the matters that must be referred to the committee, and the committee meets as required to provide advice to the Auditor-General.
- **Weekly Operational Committee** — oversees the operational activities of the ANAO, with a particular emphasis on staffing, performance and external relations. The committee also considers the status of the audit program in service group reporting and any other matters of strategic importance to the ANAO.
- **Ways of Working Steering Committee**⁸ — supports the implementation of the ANAO’s accommodation and IT transformation projects and provides advice to the Executive Board of Management.

⁸ The Ways of Working Steering Committee meets as needed, based on transformation project requirements.

Figure 4.1: ANAO governance structure and strategic planning framework, at 30 June 2022



Audit Committee

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

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

The Audit Committee met five times during 2021–22. Details of the Audit Committee's membership in 2021–22, including remuneration for the period, meeting attendance, and experience and qualifications of members, are provided in Table 4.2.

Table 4.2: Membership of the ANAO Audit Committee for 2021–22

Member	Experience and qualifications	No. of meetings attended	Remuneration for 2021–22 (\$) ^(a)
Ms Maria Storti (member; chair since October 2020)	<ul style="list-style-type: none"> Independent chair and member of several Commonwealth audit committees and non-executive director Former EY advisory partner and worked with PwC in the areas of audit, consultancy and risk Senior executive roles in various sectors, including responsibility for corporate planning Fellow of Chartered Accountants Australia and New Zealand, Fellow of the Australian Institute of Company Directors, and member of the Institute of Internal Auditors — Australia Master of Business Administration and Bachelor of Economics 	5	17,500

Member	Experience and qualifications	No. of meetings attended	Remuneration for 2021–22 (\$) ^(a)
Mr Sean Van Gorp (ceased as member on 31 August 2021)	<ul style="list-style-type: none"> • Former managing partner of EY’s audit and advisory business for 10 years • 25 years’ experience working in a diverse range of industries, including telecommunications and IT, financial services, insurance, retail, mining and chemicals, and the public sector — based in Asia and London for four years • Board member of National Institute of Dramatic Arts for six years • Master of Business Administration and Bachelor of Economics 	1	2,500
Ms Kerri Hartland (member since October 2020)	<ul style="list-style-type: none"> • Chair of the National Youth Science Forum • Advisory Board Chair and Principal Advisor of Proximity • Former Commonwealth departmental secretary and public servant of 30 years standing across 10 departments and agencies • Chair of Commonwealth Office of the Special Investigator’s Audit and Risk Committee • Expertise in risk, change management, diversity and leadership • Graduate of Australian Institute of Company Directors, member of Chief Executive Women and National Security College Futures Council, board member of Canberra Hospital Foundation and Canberra Girls Grammar School • Master of Legal Studies, Bachelor of Arts, Bachelor of Economics 	5	12,500

Member	Experience and qualifications	No. of meetings attended	Remuneration for 2021–22 (\$) ^(a)
Mr Bruce Meehan (member since September 2021)	<ul style="list-style-type: none"> • Former PwC and EY partner with over 40 years of professional services experience • Extensive offshore experience in Europe, the United States and the Asia-Pacific region • Member of Chartered Accountants Australia and New Zealand • Bachelor of Commerce and Graduate Diploma in Information Technology 	4	10,000

(a) Excludes GST.

Strategic planning framework

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

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

Key elements of the ANAO's strategic planning framework for 2021–22 are presented in Figure 4.1. Further details on the ANAO corporate plan and annual audit work program are provided below.

Corporate plan

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

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

Annual audit work program

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

A whole-of-organisation planning process brings together the knowledge and insights gained across all ANAO audit activity to identify priority areas of audit coverage. In determining the 2022–23 program, the ANAO considered prior-year audit and other review findings and what these indicate about the portfolio risks and areas for improvement, as well as emerging risks from new investments, reforms or operating environment changes.

The ANAO provided a draft of the annual audit work program to the Parliament for consultation through the Joint Committee of Public Accounts and Audit (JCPAA), consistent with the Auditor-General's requirement to have regard to the audit priorities of the Parliament. The JCPAA identified 19 audit priority topics during consultation for the Annual Audit Work Program 2022–23, including suggesting one new topic for the program. Of these 19 priority topics 15 were included, in whole or in part, and four topics had already commenced and were therefore not included in the final program. Feedback was also sought from accountable authorities of Australian Government entities affected by the proposed audit coverage, members of the public, the Commonwealth Ombudsman, the Inspector-General of Taxation, the Inspector-General of Intelligence and Security, and the Australian Information Commissioner and Privacy Commissioner.

The ANAO also undertakes a series of audits on the implementation of agreed parliamentary committee and ANAO recommendations to provide assurance that actions to improve public administration are implemented as intended and agreed, and within reasonable timeframes. The ANAO has so far tabled four audits in this series, and included in the 2022–23 work program a further potential cross-entity audit of implementation of recommendations.

On 1 July 2022, an Administrative Arrangements Order took effect and involved a number of machinery-of-government changes, including:

- the creation of new departments;
- the renaming of existing departments; and
- the reallocation of responsibilities and functions between both new and existing portfolios.

The annual audit work program has been updated to reflect these changes. A further review of topics and portfolio information will occur after the October 2022 Budget process to capture any further changes, including any subsequent administrative arrangements orders.

Organisational capability

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

The ANAO's [Corporate Plan 2021–22](#) outlined capability investments we would make to ensure that we continue to deliver on our purpose. The areas of investment were:

- workforce — including people, productivity and technology;

- performance statements audit;
- ethics and audit; and
- quality.

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

Towards 2025

Following the announcement of the Federal Budget 2021–22, the ANAO developed a strategic organisational plan — Towards 2025. The plan captured key investments we intended to make in our people, productivity and technology, so that we may continue to effectively deliver quality audit services to the Parliament.

The plan recognised that the ANAO must continue to invest in the specialist and technical capability of our workforce to ensure we are suitably skilled to produce quality audit products — and have strong enabling functions to support the delivery of these products.

Through the design of the plan, the ANAO committed to:

- building the capability of the ANAO by attracting, recruiting, onboarding and developing technical and specialist people — increasing our capacity to deliver audit products, while continuously improving quality;
- growing the existing capability within the ANAO to address current and future resourcing challenges — strengthening the ANAO’s ability to deliver quality audit products, and supporting the working experience of our people; and
- supporting the work of the ANAO by strategically improving and enhancing business practices, technology and infrastructure — enabling our people to work efficiently and effectively.

The plan was designed to link to the ANAO Corporate Plan 2021–22 and was a primary focus of the development of group business plans.

Workforce

The ANAO is a professional organisation of curious and critical thinkers, with strong analytical capabilities and who act with the highest integrity. We are committed to investing in our people and supporting their development as leading audit and public service professionals.

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

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

Details of the ANAO workforce, including workforce composition, coverage of employment instruments, diversity statistics and salary information, can be found at Appendix C. The ANAO’s staff engagement and performance strategies are outlined in Appendix D.

Workforce plan

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

In 2021–22, the ANAO developed a new workforce plan to ensure our sustained position to attract, develop and retain a high-performing workforce. The workforce plan aligns with our strategic organisational plan, *Towards 2025*, which articulates our continued investment in strategic capability opportunities across people, productivity and technology to effectively deliver quality audit services to the Parliament. The workforce plan was designed to be implemented over four years.

Attract

As part of the 2021–22 Budget, the government announced additional funding to the ANAO to support the delivery of all our audit products. Our workforce plan articulates our commitment to identifying opportunities to uplift our labour market position as an employer of choice to attract high-performing people to deliver these products to the Parliament.

In 2021–22, the ANAO undertook a comprehensive workforce analysis to identify our critical job roles. Work commenced to develop proactive recruitment marketing strategies across each of these critical job roles, underpinned by workforce data and labour market trends.

The ANAO graduate program is a core pipeline of our talent. We continued to invest in this program, expanding the intake to 40 graduates in 2022 and sustaining this capacity into 2023. The program offers graduates a highly learner-centred and technology-enabled employee experience through blended learning opportunities such as online and face-to-face training, varied workplace rotations, graduate networks and mentoring.

Develop

The ANAO recognises that learning and development is fundamental to building the core, technical and leadership capability to deliver on our purpose. We uphold the highest industry standards to prepare our workforce for the changing landscape and demands in the future of the audit profession.

Our workforce plan identified that auditors of the future must be:

- **curious professionals** — prepared to apply critical and creative thinking;
- **digitally proficient analysts** — confident in the use of technology to collect and analyse data;
- **strong communicators** — able to analyse complex problems and clearly communicate findings;
- **adaptable professionals** — capable of working in different settings and across teams;
- **lifelong learners** — seeking out opportunities to continuously learn and grow; and
- **leading public servants** — demonstrating behaviours that exemplify the ANAO's values, and the Australian Public Service Values and Code of Conduct.

Over the next four years, our workforce plan will drive how we build the ANAO's capability for the audit industry of the future. In 2021–22, we commenced this work with the development of the ANAO learning and development framework. The delivery of this framework will be enabled through the launch of our ANAO Academy, which will deliver learning to our people in a user-centred, technology-enabled and purposeful way.

Retain

The ANAO acknowledges that labour market demand and high rates of employee mobility are a key workforce risk. As such, a fundamental component of our workforce plan is to retain our high-performing workforce and support their careers as leading public service professionals at the ANAO.

Employees at the ANAO have access to a range of benefits, including varied and challenging project opportunities, access to training and study assistance, work-life balance underpinned by formal and informal flexible work arrangements, reward and recognition programs, and social activities. The ANAO also cultivates diversity, inclusion and belonging in our work environment, supported by our Diversity and Inclusion Strategy and Reconciliation Action Plan.

Productivity and technology

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

In 2021–22, we achieved productivity improvements through a focus on using resources strategically, streamlining our business practices and modernising our ways of working. Productivity improvements are designed to become part of our business-as-usual processes, enabling continued improvement and enhanced capability.

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

Pandemic response

The ANAO's ongoing COVID-19 response has been guided by the ANAO COVID-Safe Plan. The plan outlines how we will provide a safe and healthy working environment during the pandemic and includes guidance on risk management and responding to confirmed cases of COVID-19 at the ANAO's premises.

All staff were requested to work from home during the COVID-19 lockdown implemented by the ACT Government from 12 August 2021 to 14 October 2021. A three-stage transition plan was implemented to support a gradual return to office-based work in line with the easing of public health restrictions. Throughout the course of the COVID-19 pandemic, the ANAO engaged with entities to enable remote access to entity systems. For example, the Department of Defence has provided access from ANAO premises to its systems in a secure way.

From March 2022, the office has been the primary place of work for all staff. Many staff continue to take advantage of our flexible working arrangements policy, which was updated in 2021 to leverage the benefits of flexible working that emerged through practices adopted during the pandemic.

Data analytics

The ANAO has a specialist data analytics team that works with audit teams to assist with the use of data to produce more efficient and effective audit work. The team also supports corporate functions such as data-driven decision-making and streamlining the analysis of internal performance reporting.

In prior audit cycles, the ANAO developed several standardised data analytics solutions to provide a standard, data-driven approach to some of the common areas of audit testing.

In 2021–22, these solutions have become the default approach in these areas of testing, unless the circumstances of an audit required a different approach.

The ANAO is pursuing investments in technology, capability and process improvements to further realise the benefits of data analytics for audits, including by:

- developing a platform to simplify the process by which audit teams can access data analytics solutions, and by which entities can transfer data for audit to the ANAO in a streamlined way;
- improving the data analytics capability of audit teams and their technical confidence in using analytic tools, through investments in learning and development; and
- establishing a 'centre of excellence' to lead the delivery of change initiatives in this space.

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

New audit tools and systems

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

In 2021–22, the transition project to TechnologyOne's Ci Anywhere enterprise software completed the transition of existing modules from TechnologyOne's Ci software. By transitioning to Ci Anywhere, the ANAO gained access to the latest developments and functionality offered by TechnologyOne. This included the re-implementation of the contracts module for in-system approvals, and established readiness for e-invoicing capability to comply with the whole-of-government e-invoicing policy.

Aurion Timekeeper is ANAO's enterprise time recording system. Transition to Timekeeper was finalised in November 2020. In 2021–22, further functionality was developed to provide additional time recording adjustments and expand the ruleset for supplementary resources.

In 2022–23, the ANAO will continue to invest in key tools to support auditors to undertake efficient and effective audit management. The ANAO is preparing to enhance learning and development tools to deliver an integrated approach to building capability across the organisation, to improve performance of the workforce and support staff in their development as leading audit and public service professionals. This will be delivered through the ANAO learning and development framework.

Information technology strategy

The ANAO has a focus on building and delivering a technology environment that is efficient, cost-effective, secure, scalable and flexible. Adapting to a changing digital environment and adjusting technology to support new auditing challenges is integral to success — generating deep insights that improve the quality of our work, maintaining our security and reputation, and helping us deliver an increasing number of audits in a streamlined manner.

During 2021–22, the ANAO implemented Microsoft 365, including Microsoft Teams, OneDrive, Planner and Power BI, alongside other applications within the Microsoft 365 suite. The Microsoft 365 project resulted in the decommissioning of Skype for Business. In addition, the project involved establishing an Azure tenancy for information classified as Protected to help meet the ANAO's data analytics requirements.

Key benefits of the Microsoft 365 project include improved productivity and efficiency, security, and cost savings. In addition to the use of Microsoft Teams as a 'one-stop shop' for team communication, document collaboration and video meetings, the ANAO has realised savings through the reduction in infrastructure expenses, and from the decommissioning of obsolete IT services and software.

The ANAO has also been able to improve its implementation of the Essential Eight Maturity Model, with many of these improvements being driven through an ongoing security improvement project. Improvements include a more resilient infrastructure and backups, logging to a service for security information and event management, and enabling secure use of mobile devices.

In planning for the future, the ANAO has completed a detailed business case and begun implementation of the next stage of its information and communications technology strategy. The business case outlines the proposed approach for delivering six key initiatives identified as the future-state architecture that will position the ANAO with key platform capabilities to support modern auditing challenges. These initiatives are infrastructure as a service in the cloud, enhanced network design, data storage and processing, a DevOps pipeline, a data exchange portal, and self-service analytics.

Performance statements audit

The ANAO is continuing to invest in an ongoing program of audits of the annual performance statements of Commonwealth entities. The purpose of these audits is to drive improvement in the quality of entities' performance reporting against the requirements of the Commonwealth performance framework. High-quality performance information will increase entities' accountability to the Parliament and the public and assist entities to develop a more systematic approach to performance monitoring and evaluation.

In 2019, the Minister for Finance requested that the ANAO conduct a pilot program of audits of annual performance statements of Commonwealth entities subject to the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), in consultation with the Joint Committee of Public Accounts and Audit. The Auditor-General accepted the request, made under section 40 of the PGPA Act, as the mechanism by which these audits can be carried out under section 15 of the *Auditor-General Act 1997*. The pilot examined the 2019–20 performance statements of three entities: the Department of Veterans' Affairs (DVA), the Attorney-General's Department (AGD) and the Department of Social Services (DSS). The pilot was continued in 2020–21, with the performance statements of the same three Commonwealth entities being audited.

The performance statements pilot program demonstrated that accessible and understandable audit conclusions can be issued that clearly set out to the user the extent to which the performance statements can be relied upon to assess the performance of the entity.

In 2021–22, the ANAO established the Performance Statements Audit Services Group, responsible for the planning, delivery and monitoring of the implementation of the performance statements audit program.

In the 2021–22 Budget, the ANAO received additional funding of \$12.2 million for assurance and performance audit services in 2021–22. This funding included funding for a phased implementation of performance statements audits: from three audits being tabled in 2021–22, to six in 2022–23, to 10 in 2023–24 and 14 audits in 2024–25.

Following a request from the Minister for Finance in October 2021, the ANAO conducted six audits in 2021–22 as part of the performance statements audit program. The ANAO continued the program of work with DVA, AGD and DSS and added three new entities: the Department of Agriculture, Water and the Environment, the Department of Education, Skills and Employment, and the Treasury.

In its report arising from the review of the *Auditor-General Act 1997*⁹ the JCPAA recommended that the *Auditor-General Act 1997* be amended so that audits of annual performance statements are able to be initiated without the need for approval or direction from the JCPAA or Finance Minister.

Over the course of the program, the ANAO will continue to invest in our capacity to conduct performance statements audits, and the sector's capacity to prepare for, and engage with, these audits. The ANAO will:

- develop and invest in the training and knowledge the ANAO requires to support effective and quality performance statements auditing;
- leverage efficiencies from repeat-audited entities, with these entities likely to be better placed to provide timely and complete performance information and associated evidence;
- continue to ensure the methodology for performance statements audits is appropriate and fit for purpose; and
- work with the Department of Finance, audited entities and the sector as a whole to share insights and lessons learned to improve performance information.

Ethics and audit

The ANAO is consulting externally on a draft methodology for auditing ethics, which will be implemented over the next four years.. The methodology covers performance audits of ethical frameworks, performance audits with specific ethical criteria, as well as considerations of ethics in findings in both performance and financial audits.

In 2021–22, the ANAO continued to conduct performance audits of procurements, including a focus on probity and ethical considerations. The ANAO's [Annual Audit Work Program 2022–23](#) includes a potential cross-entity audit or series of audits to examine the implementation of the Australian Public Service ethical framework by selected agencies.

Quality

The quality of ANAO audit work is reliant on the strength of its independence and quality control framework. The ANAO's quality assurance framework and plan articulates the system of quality control that the ANAO has established to support the delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in the reports prepared for the Parliament.

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

The ANAO published its [Quality Assurance Framework and Plan 2021–22](#) in July 2021. In September 2021, the ANAO published its [Audit Quality Report 2020–21](#), which assessed the implementation and operating effectiveness of the quality assurance framework against the 2020–21 plan. The report provides transparency around the processes, policies and procedures that support each element of the quality assurance framework, and outlines the ANAO's performance results against audit quality

9 Joint Committee of Public Accounts and Audit, *Report 491 Review of the Auditor-General Act 1997*, Canberra, 2022, https://parlinfo.aph.gov.au/parlInfo/download/committees/reportjnt/024665/toc_pdf/Report491ReviewoftheAuditor-GeneralAct1997.pdf;fileType=application%2Fpdf.

indicators and associated target benchmarks. The audit quality report also includes the ANAO's achievement of the quality assurance strategy and deliverables, as set out in the Quality Assurance Framework and Plan 2020–21.

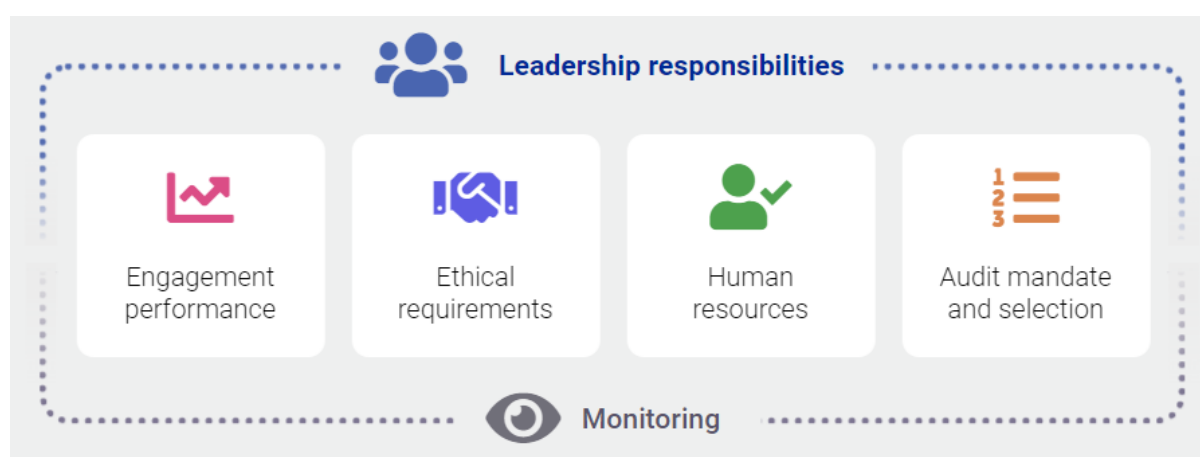
In 2021–22, the ANAO continued to expand its root cause analysis program in response to an Australian Securities and Investments Commission (ASIC) recommendation following its review of the ANAO quality assurance framework. In August 2021, the ANAO completed a root cause analysis on the quality findings identified in financial statements audit quality assurance reviews. The analysis was expanded in line with ASIC's recommendation to include contracted-out audits. In March 2022, the ANAO completed the root cause analysis in parallel with the finalisation of the quality assurance review of financial statements audits, and expanded the program to include findings identified in real-time quality assurance reviews.

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

In 2021–22, an internal audit was conducted on the ANAO quality assurance framework. The audit objective was to assess the follow-up actions undertaken in response to the ASIC review and other reviews of the adequacy and effectiveness of the ANAO quality assurance framework. The internal audit also included a review of the ANAO's progress and plan for implementing the new and revised Quality Management Standards issued by the Auditing and Assurance Standards Board (AUASB). The internal audit found that the ANAO has undertaken appropriate follow up action to address most findings from ASIC, the 2016 internal audit, and other reviews regarding the adequacy and effectiveness of its quality assurance framework. In respect of the ANAO's preparedness for the two new quality management standards, the review identified that the we have appropriately defined roles and responsibilities in order to support the implementation, governance and oversight of the new standards.

During 2021–22, the ANAO developed the [Quality Assurance Framework and Plan 2022–23](#), which complements the [ANAO Corporate Plan 2022–23](#), and outlines the quality assurance strategy and key activities planned for the year ahead.

Figure 4.2: ANAO quality framework



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

applicable requirements, and that reports issued by the Auditor-General are appropriate in the circumstances. The AUASB has issued three new and revised Quality Management Standards that replace ASQC 1 effective from 15 December 2022:

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*;
- ASQM 2 *Engagement Quality Reviews*; and
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

The revised standards introduce a quality management approach that is focused on proactively identifying and responding to risks of quality. The standards include enhanced requirements and focus on governance and leadership, monitoring and remediation. In 2021–22, the ANAO commenced preparing for the implementation of the new and revised Quality Management Standards. An internal audit of the ANAO's quality assurance program reviewed the ANAO's preparedness for the standards.

Methodology

The ANAO Auditing Standards are supported by a methodology applicable to performance audit and financial statements audit work, and incorporating the [ANAO Audit Manual](#). The ANAO regularly reviews and updates this methodology to reflect changes in the ANAO Auditing Standards, industry better practice, and new and emerging products, and to address findings from the ANAO's quality assurance program. In 2021–22, key updates to the methodology included:

- continued development of performance statements methodology and training, focused on implementation of increased use of standardised approaches and tools that support the ANAO's performance statements audit activity as a growing practice, with effective and efficient coordination with financial statements and performance audit activity;
- development of a performance statements audit manual and policies;
- a mandatory assessment of cybersecurity risks in financial statements audits;
- preparation for the implementation of the revised Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement* — this standard will be implemented for the 2022–23 audit cycle;
- revision of the consultation and Qualifications and Technical Advisory Committee chapters of the ANAO Audit Manual to incorporate performance statements audits; and
- revision of the performance audit-specific volume of the ANAO Audit Manual to:
 - clarify terminology around the collection of audit evidence under section 32 of the *Auditor-General Act 1997* (the Act);
 - provide clarity around when a performance audit is mandated under section 17 versus section 18 of the Act; and
 - address quality assurance review and internal audit recommendations.

Risk management

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

Risk management framework

In 2021–22, the ANAO refreshed its suite of risk management documentation — including the risk management framework and policy, the enterprise risk register, and risk analysis tools. The ANAO's [Risk Management Framework 2022–2024](#) is based on adherence to the Commonwealth Risk Management Policy, which adopts definitions outlined in ISO 31000:2018 *Risk Management — Guidelines*. The standard defines risk as 'the effect of uncertainty on objectives', and risk management as the 'coordinated activities to direct and control an organisation with regard to risk'. The Commonwealth's policy has nine elements and the ANAO has established risk oversight and management systems to address each of those elements.

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

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

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

In 2021–22, the ANAO actively managed a number of serious risk incidents in response to a changing risk environment. These included environmental hazards restricting use of the ANAO's office facilities and the COVID-19 pandemic. The required mitigations that the ANAO put in place in response to these risk events will continue to benefit the ANAO's operations in the post-pandemic environment.

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

Internal audit

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

In 2021–22, the ANAO's internal auditor, BellchambersBarrett, completed the following reviews:

- learning and development mandatory training;
- review of the implementation of the workforce plan;
- Protective Security Policy Framework annual compliance review (personnel security);
- Assurance Audit Services Group contracted-out audits — contract management;
- Assurance Audit Services Group resourcing;

- Confidential Information Disclosure review; and
- ANAO quality assurance program.

The seven completed internal audits made 27 recommendations in total. Following the Audit Committee meeting in June 2022, there were six recommendations outstanding.

Control environment

The ANAO has a robust control environment in place to ensure compliance with the requirements of the Commonwealth's resource management framework, and in particular the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). The current control framework includes the following policies and procedures, which document key business procedures and incorporate details of key internal controls:

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

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

Probity and independence

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

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

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

The ANAO's integrity control system and processes include good governance practices, publishing of gifts and benefits, and an ongoing focus on independence in the delivery of our work. Beyond its control system, the ANAO maintains an enduring focus on promoting integrity as an organisational value that is embedded in our work and culture.

Fraud control and prevention

The Senior Executive Director, Corporate Management Group, is responsible for managing the ANAO's fraud control framework, including fraud detection, prevention and response. This framework is linked to the ANAO's risk management framework and consolidates all fraud prevention and detection activities in one document, with careful regard to risk against the ANAO's reputation should fraudulent activity occur. The ANAO periodically reviews its fraud control framework, taking into account changes in the operating environment.

There were no incidents of fraud in 2021–22. We conducted a fraud risk assessment and concluded that all identified fraud risks were accurately assessed and appropriate controls were in place.

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

Auditor-General's disclosure of expenses

The Auditor-General voluntarily discloses publicly any expenses incurred to ensure transparency. The [Auditor-General's expenses](#) are disclosed every six months. His expenses for the 2021 calendar year and for January to June 2022 are available on the ANAO website.

Gifts and benefits

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

Outside employment

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

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

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

At 30 June 2022, the ANAO had 20 approvals recorded for staff undertaking outside employment activities.

Compliance survey

ANAO staff who exercise delegated powers and responsibilities assert their compliance with the financial framework, including compliance with the PGPA Act, by completing a compliance survey. Twenty-two instances of non-compliance were reported for the 2021–22 financial year, all of which were deemed to be non-significant breaches of the finance law and associated legislation, and the ANAO delegations.

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

There were 11 instances of misuse of the ANAO's corporate credit card in 2021–22. This represents 0.1 per cent of total credit card transactions. Although the proportion of misuse is small, each instance is investigated, with all of these incidents found to be inadvertent. All instances of credit card misuse were reported to the Executive Board of Management. The Chief Finance Officer contacted those staff who misused their credit card, reminded them of their obligations when using the card, and ensured that the amounts associated with the misuse of the credit cards were repaid into the ANAO's bank account.

There were two non-significant breaches relating to the ANAO's enterprise agreement. These instances have been investigated. The ANAO has taken steps to educate staff to ensure compliance with the ANAO's governance frameworks and policy documents.

External scrutiny

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

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

In 2021–22, the Independent Auditor commenced a performance audit to assess the effectiveness of the ANAO's attraction, retention and development of capability. The draft report was provided to the ANAO on 2 June 2022 and the ANAO provided its response to the Independent Auditor on 30 June 2022. The report was tabled in the Parliament on 15 August 2022.

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

The ANAO received unmodified auditor reports on its financial statements and performance statements for the year ended 30 June 2022.

No decisions made by a court or administrative tribunal or by the Australian Information Commissioner had a significant effect on the ANAO's operations in 2021–22. The ANAO was not the subject of any agency capability reviews or reports by the Commonwealth Ombudsman in 2021–22.

Other management issues

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

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

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Appendix A — Transparency reporting

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

Table A.1: Transparency reporting

Prescribed information ^(a)	Coverage in this annual report
Description of the auditor's legal structure and ownership	The 'Role' section in Part 2 details the legislative framework for the roles of the Auditor-General and the ANAO.
Description of the auditor's governance structure	The 'Governance' section in Part 4 details the corporate governance framework of the ANAO.
Description of the auditor's internal quality control system	The 'Quality' section in Part 4 details the ANAO's internal quality framework and internal audit and quality assurance arrangements.
Statement on the effectiveness of the auditor's internal quality control system in the reporting year	The 'Quality' section in Part 4 reports on the effectiveness of the ANAO's internal quality framework and internal audit and quality assurance arrangements.
The name of each body that is authorised to review the auditor, and the date of the most recent review of the auditor conducted by each body	The 'External scrutiny' section in Part 4 details the bodies that are authorised to review the work of the ANAO and the external review completed during the year. Table 2.1 in Part 2 describes external reviews of the ANAO's audits by the Joint Committee of Public Accounts and Audit.
The names of the bodies for which the auditor conducted an audit in the reporting year	The entities are listed in Auditor-General Report No.14 of 2021–22 Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021 . Information on all audit reports tabled by the Auditor-General in the Parliament during 2021–22 is available on the ANAO website.
Statement about the auditor's independence practices in the reporting year, including the date on which the auditor most recently conducted an internal review of its independence compliance	The 'Probity and independence' section in Part 4 details the ANAO's independence framework for audit professionals.
Statement about the policy that the auditor follows regarding the amount and nature of professional education that members of an audit team must undertake during the reporting year	The 'Development' section in Appendix D details the ANAO's education framework for audit professionals.

Prescribed information ^(a)	Coverage in this annual report
Financial information for the auditor for the reporting year	<p>The 'Report on financial performance' section in Part 3 provides an overview of the ANAO's financial results.</p> <p>The ANAO's audited financial statements for 2021–22 are presented in Part 3.</p>
Information on the basis for remuneration of the auditor's senior managers	<p>Note 2.3 of the financial statements in Part 3 details the ANAO's arrangements for performance assessment and performance pay, and senior executive remuneration.</p>

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

Appendix B — Entity resource statement and expenses by outcome

Entity resource statement

Table B.1: Entity resource statement 2021–22

	Actual available appropriations for 2021–22 (\$'000)	Payments made 2021–22 (\$'000)	Balance remaining 2021–22 (\$'000)
Ordinary annual services			
Departmental appropriation ^(a)	113,565	84,909	28,656
Total ordinary annual services	113,565	84,909	28,656
Special appropriations			
Auditor-General remuneration and expense — <i>Auditor-General Act 1997</i> , Schedule 1, sections 3 and 7	778	686	92
Total special appropriations	778	686	92
Total resourcing and payments	114,343	85,595	28,748

(a) *Appropriation Act (No.1) 2021–2022*, prior-year departmental appropriation, and retained revenue receipts under section 74 of the *Public Governance, Performance and Accountability Act 2013*.

Expenses by outcome

Table B.2: Summary of total expenses for Outcome 1, 2021–22

	Budget ^(a) 2021–22 (\$'000)	Actual expenses 2021–22 (\$'000)	Variation 2021–22 (\$'000)
<i>Outcome 1: To improve public sector performance and accountability through independent reporting on Australian Government administration to Parliament, the Executive and the public.</i>			
Program 1.1: Assurance audit services			
Departmental expenses			
Departmental appropriation ^(b)	48,527	45,696	2,831
Special appropriation	389	343	46
Expenses not requiring appropriation in the budget year	2,009	2,294	(285)
Total for Program 1.1	50,925	48,333	2,592
Program 1.2: Performance audit services			
Departmental expenses			
Departmental appropriation ^(b)	35,864	35,904	(40)
Special appropriation	389	343	46
Expenses not requiring appropriation in the budget year	1,732	1,803	(71)
Total for Program 1.2	37,985	38,050	(65)
Total for Outcome 1	88,910	86,383	2,527
		2021–22	2020–21
Average staffing level (number)		326	310

(a) Full-year budget, including any subsequent adjustment made to 2021–22 Budget.

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

Appendix C — Workforce information

Table C.1: Staff coverage under employment instruments, at 30 June 2022

Number of employees covered by the ANAO Enterprise Agreement 2016–2019	Number of employees covered by a common law employment contract	Number of employees with an individual flexibility arrangement in place
350	26	12

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

Table C.2: Ongoing, non-ongoing and casual staff, by classification and gender, at 30 June 2022 and 30 June 20

		Ongoing			Non-ongoing			Casual			Total
		Female	Male	X	Female	Male	X	Female	Male	X	
SES 3	2022	1	0	0	0	0	0	0	0	0	1
	2021	1	0	0	0	0	0	0	0	0	1
SES 2	2022	2	3	0	0	0	0	0	0	0	5
	2021	2	1	0	0	0	0	0	0	0	3
SES 1	2022	10	9	0	1	0	0	0	0	0	20
	2021	11	10	0	1	0	0	0	0	0	22
EL 2	2022	40	31	1	1	1	0	1	0	0	75
	2021	37	23	0	0	0	0	0	0	0	60
EL 1	2022	44	26	0	0	1	0	0	0	0	71
	2021	32	23	0	1	0	0	0	0	0	56
APS 6	2022	43	32	0	2	0	0	0	0	0	77
	2021	36	25	0	3	0	0	0	0	0	64
APS 5	2022	25	21	0	2	1	0	0	0	0	49
	2021	33	26	0	1	1	0	0	0	0	61
APS 4	2022	13	15	0	2	0	0	0	0	0	30
	2021	10	18	0	0	0	0	0	0	0	28
APS 3	2022	1	1	0	0	0	0	0	0	0	2
	2021	1	0	0	1	0	0	0	0	0	2
APS 2	2022	0	0	0	0	0	0	0	0	0	0
	2021	0	0	0	0	0	0	0	1	0	1
APS 1	2022	0	0	0	0	0	0	3	6	0	9
	2021	0	0	0	0	0	0	1	3	0	4

		Ongoing			Non-ongoing			Casual			Total
Graduate	2022	21	16	0	0	0	0	0	0	0	37
	2021	9	7	0	0	0	0	0	0	0	16
Total	2022	200	154	1	8	3	0	4	6	0	376
	2021	172	133	0	7	1	0	1	4	0	318

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

X = indeterminate/intersex/unspecified (any person who does not exclusively identify as either male or female).

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. Information in this table covers the headcount based on substantive classification of staff and does not include acting arrangements.

Table C.3: Ongoing, non-ongoing and casual staff, by attendance type, at 30 June 2022 and 30 June 2021

Employment type	Attendance type							
	Full-time		Part-time		Casual		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
Ongoing	321	277	34	28	0	0	355	305
Non-ongoing	11	6	0	2	0	0	11	8
Casual	0	0	0	0	10	5	10	5
Total	332	283	34	30	10	5	376	318

Note: Includes all operative and inoperative staff. At 30 June 2022, four full-time ongoing staff identify as Indigenous. All ANAO positions are Canberra-based.

Remuneration

The ANAO's employment framework enables our ongoing investment in workforce capability and remuneration. The ANAO's Enterprise Agreement 2016–2019 came into effect on 21 April 2016 and covers the terms and conditions of employment at the ANAO, other than terms and conditions applying under a relevant Commonwealth law or implied at common law.

On 22 April 2019, the ANAO implemented a section 24(1) determination made under the *Public Service Act 1999* to hold in place conditions of the ANAO's Enterprise Agreement 2016–2019. On 11 March 2022, the Auditor-General made a further section 24(1) determination, which continues to hold the conditions of the agreement while enabling an annual pay increase tied to the private sector wage price index for three years, commencing 22 April 2022.

The salary ranges for Senior Executive Service (SES) staff are determined by the ANAO's [SES Remuneration, Performance and Development Policy](#). SES remuneration payments are set out under Note 2.3 of the financial statements at Part 3 of this report.

Table C.4: Salary ranges for APS employees, by classification, at 30 June 2022

Classification	Salary range (\$)
EL 2	128,531–160,410
EL 1	111,928–126,131
APS 6	91,199–104,820
APS 5	82,318–89,701
APS 4	71,669–78,768
APS 3	65,927–71,298
APS 2	60,55–65,926
APS 1	49,817–60,558
Graduate	65,927–71,298

EL = Executive Level; APS = Australian Public Service.

Table C.5: Performance payments in 2021–22

Classification	Number	Total (\$)	Average (\$)	Minimum (\$)	Maximum (\$)
SES	8	64,425	5,979	5,025	9,937
EL 2	11	56,123	6,611	4,722	10,507
EL 1	5	21,336	4,267	3,295	4,951
APS 6	3	10,737	3,579	2,684	4,474
APS 5	1	3,231	3,231	3,231	3,231
APS 4	–	–	–	–	–
APS 3	–	–	–	–	–
APS 1–2	–	–	–	–	–
Total	28	155,852			

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

Table C.6: Summary of performance ratings for the period ending 31 October 2021

Classification broadband	Substantially exceeds expectations	Exceeds expectations	Meeting expectations	Not meeting expectations	Total
ANAO bands 4 and 5 (EL 1 and EL 2)	15	58	41	0	114
ANAO bands 1 to 3 (APS 1–6)	5	37	70	2	114
Total	20	95	111	2	228
Proportion of total eligible staff	9%	42%	48%	1%	100%

EL = Executive Level; APS = Australian Public Service.

Non-salary benefits

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

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

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

Appendix D — Staff engagement and performance strategies

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

In 2021–22, the ANAO developed its Workforce Plan 2022–2025, outlining a strategic approach to cultivating a high-performing workforce across the three key areas of attraction, development and retention.

Attraction

The ANAO runs a graduate program and an intern program to attract talented individuals to the organisation.

Graduate program

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

In 2021–22, the graduate program recruited 39 graduates: 16 in the Assurance Audit Services Group, 16 in the Performance Audit Services Group, 3 in the Performance Statements Audit Services Group, 3 in the Systems Assurance and Data Analytics Group, and one in the Professional Services and Relationships Group.

Intern program

The ANAO's intern program provides paid casual work experience for Canberra university students who are currently completing an undergraduate degree in a relevant field of study. During 2021–22, 18 students participated in the intern program. The ANAO continued to foster productive relationships with the Australian National University, the University of Canberra, and Chartered Accountants Australia and New Zealand to recruit students for the program.

Development

The ANAO recognises the importance of supporting the professional learning of its people — through study assistance, learning and talent management programs — so the organisation can continue delivering on its purpose.

Study assistance and learning program

The ANAO's learning and development program is underpinned by a progressive Studies Assistance Policy that enables staff to undertake tertiary education and other study to obtain relevant qualifications, including programs offered by Chartered Accountants Australia and New Zealand, CPA Australia and ISACA (the professional association for IT audit specialists).

During 2021–22, ANAO workforce planning processes identified core capabilities to continue enabling a high-performing audit and public service workforce, now and into the future (see 'Workforce plan' in Part 2 of this report). The ANAO deployed diverse and blended learning programs across these

capability areas in 2021–22, including training in integrity, communication, leadership, coaching, change management and wellbeing support.

Talent management program

The 2021–22 talent management program offered the following opportunities to participants:

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

Talent retention

The ANAO's talent retention strategy includes fostering staff engagement, supporting the health and wellbeing of staff, and recognising significant achievements.

Staff engagement

To deliver effectively and efficiently against our purpose, the ANAO requires high-quality, high-performing people who are fully engaged with their work and workplace. Each year, the ANAO participates in the Australian Public Service (APS) Employee Census. The 2021 census achieved an ANAO staff response of 89 per cent, which was a further improvement on the 2020 response rate of 83 per cent.

The ANAO's employee engagement score of 75 per cent for 2021 was two percentage points higher than the overall APS average, and our staff continue to be overwhelmingly committed to the goals, purpose and objectives of the ANAO. In total, 94 per cent of our staff responded that they would be happy to 'go the extra mile' when required, and 86 per cent expressed pride in working for the ANAO — 10 percentage points higher than the APS average.

The ANAO organises regular events for our people that aim to foster a culture of engagement and information sharing. Events raise awareness of ANAO priorities and contribute to the professional and personal development of staff. 'Town hall' events inform staff of current organisational priorities, future directions and relevant developments. The purpose is to foster a sense of cohesion across the organisation and to recognise staff contributions and achievements. Two town hall events were held in 2021–22 and both were either live-streamed or recorded to support staff working flexibly or on leave.

Health and wellbeing

The ANAO is committed to promoting the health and wellbeing of its staff. We recognise that work-based health and wellbeing programs contribute positively to morale, resilience and productivity by reducing workforce absence and illness, and workplace injury. The ANAO participates in the Australian Public Service Commission's benchmarking on unscheduled absences across the APS, which can provide information on staff wellbeing. The most recent report received, covering the period 1 July 2021 to 31 March 2022, shows the ANAO's unscheduled absence rate at 6.5 days compared to the APS average of nine days.

During 2021–22, programs we promoted include:

- diversity and harassment contact officers;
- the Reasonable Adjustment Passport for employees with an illness, injury or disability;
- the Employee Assistance Program;
- an online mental health toolkit;
- return-to-work rehabilitation services;
- workstation safety and ergonomic assessments;
- formal and informal flexible working arrangements;
- coordinated wellbeing social events;
- COVID-19 pastoral care check-ins;
- flu vaccinations;
- annual health checks; and
- mental health first aid officers.

Recognition

The ANAO recognises and rewards individual staff and teams who make a significant contribution to achieving the organisation's business objectives in areas such as client service, people management, business management, audit management and innovation. In 2021–22, a total of 35 employees were recognised through formal ANAO awards, the Auditor-General's Australia Day Awards and Outstanding Achievement awards.

Appendix E — Other management issues

Compliance with finance law

In 2021–22, the ANAO had no significant issues under paragraph 19(1)(e) of the *Public Governance, Performance and Accountability Act 2013* relating to noncompliance with the finance law.

Asset management

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

Purchasing and procurement

The ANAO's approach to procuring goods and services is consistent with, and reflects the principles of, the Commonwealth Procurement Rules – in particular, the core rule of competition contributing to demonstrating value for money. These rules are applied to activities through the Auditor-General Instructions and supporting financial management procedures and guidelines.

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

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

All tenders and contractual arrangements undertaken in 2021–22 were carried out in accordance with the Commonwealth Procurement Rules.

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

Reportable consultancy contracts

During 2021–22, three new reportable consultancy contracts were entered into, with total actual expenditure of \$0.027 million. In addition, 10 ongoing reportable consultancy contracts were active during the period, with total actual expenditure of \$0.646 million (Table E.1). Table E.2 shows the organisations that received the five largest shares of the ANAO's total expenditure on reportable consultancy contracts during 2021–22.

Table E.1: Reportable consultancy contracts, 2021–22

Category	Number	Expenditure \$'000 (GST inc.)
New contracts entered into during the reporting period	3	27
Ongoing contracts entered into during a previous reporting period	10	646
Total	13	673

Table E.2: Organisations receiving largest shares of reportable consultancy contract expenditure, 2021–22

Total reportable consultancy contract expenditure in 2021–22 of \$673,174.

Organisation	Expenditure \$'000 (GST inc.)	Proportion of 2021–22 total spend (%)
Deloitte Touche Tohmatsu	218	32
Ernst & Young	166	25
ORIMA Research	140	21
KPMG	84	12
RSM Bird Cameron	48	7
Total of the largest shares	656	97

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

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

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

The major competitive tendering and contracting activities in 2021–22 were to obtain professional skills to assist with certain financial statements audits and performance audits.

The decision to engage a consultant is made in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and related rules, including the Commonwealth Procurement Rules, and relevant internal policies.

Reportable non-consultancy contracts

During 2021–22, 136 new reportable non-consultancy contracts were entered into involving total actual expenditure of \$5.992 million. In addition, 164 ongoing reportable non-consultancy contracts were active during the period, involving total actual expenditure of \$30.130 million (Table E.3). Table E.4 shows the organisations that received the five largest shares of the ANAO's total expenditure on reportable non-consultancy contracts during 2021–22.

Table E.3: Reportable non-consultancy contracts, 2021–22

Category	Number	Expenditure \$'000 (GST inc.)
New contracts entered into during the reporting period	136	5,992
Ongoing contracts entered into during a previous reporting period	164	30,130
Total	300	36,122

Table E.4: Organisations receiving largest shares of reportable non-consultancy contract expenditure, 2021–22

Total reportable non-consultancy contract expenditure in 2021–22 of \$36,122,393.

Organisation	Expenditure \$'000 (GST inc.)	Proportion of 2021–22 total spend (%)
PricewaterhouseCoopers	4,883	14
Ernst & Young	4,091	11
ASG Group	3,968	11
KPMG	2,331	6
Deloitte Touche Tohmatsu	1,735	5
Total of the largest shares	17,008	47

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

The major competitive tendering and contracting activities in 2021–22 were to contract out a number of financial statements audits and performance audits, as well as to contract in staff to assist the ANAO in delivering financial statements audits and performance audits. The ANAO's IT services are managed by a third-party provider.

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

Procurement initiatives to support small business

The ANAO supports small business participation in the Commonwealth Government procurement market. Small and medium-sized enterprise (SME) and small enterprise participation statistics are available on the Department of Finance's website, [finance.gov.au](https://www.finance.gov.au).

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

The ANAO recognises the importance of ensuring that small businesses are paid on time. The results of the survey of Australian Government payments to small business are available on the Treasury's website, [treasury.gov.au](https://www.treasury.gov.au).

Advertising and market research

Under section 311A of the *Commonwealth Electoral Act 1918*, we are required to disclose payments of \$14,500 or more (inclusive of GST) to advertising agencies, market research organisations, polling organisations, media advertising organisations and direct mail organisations.

The ANAO did not undertake media advertising campaigns and therefore did not make any payments to advertising agencies in 2021–22. The ANAO did not make any payments to direct mail organisations or polling organisations, and did not make any payments of \$14,500 or more (inclusive of GST) to media advertising organisations.

Payments over \$14,500 (including GST) to market research organisations, incurred in the course of client surveys on performance are set out in Table E.5.

Table E.5: Payments made to market research organisations, 2021–22

Organisation	Purpose	Payment \$ (GST inc.)
ORIMA Research	Client survey	38,500
ORIMA Research	Client survey	25,603

Grant programs

The ANAO does not administer any grant programs.

Environmental performance

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

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

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

Contribution to ecologically sustainable development

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

In 2021–22, the ANAO continued to improve its environmental performance and mitigate the effects of our impact on the environment through:

- the introduction of organic waste bins;
- procuring energy-efficient equipment and lighting solutions;
- using recycled copy paper;
- energy-efficient power management settings on office equipment, including motion sensor lighting;
- videoconferencing to reduce the need for local, interstate and international travel;

- recycling of paper, cardboard, office furniture, batteries and printer cartridges; and
- fostering employee awareness of environmental issues, including reconsidering the need to print documents in line with 'paper-lite' principles.

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

Effect of activities on the environment

The ANAO monitors its energy and water usage and waste management as core indicators of the effect of its activities on the environment. We will continue to improve our collection and monitoring of data on energy use, water consumption and waste management in our office building.

Energy

The Australian Government's Energy Efficiency in Government Operations policy aims to reduce the energy consumption of Australian Government operations, with particular emphasis on building energy efficiency. The policy sets an energy intensity target of no more than 7,500 megajoules (MJ) per person per year for tenant light and power. During 2021–22, the ANAO met this target, using 1,649 MJ per person.

The ANAO has a Green Lease Schedule, which includes the obligation to undertake an annual tenancy rating under the National Australian Built Environment Rating System (NABERS). The ANAO's tenancy was rated against the latest version of NABERS rules in June 2022 and achieved a 5.5-star rating, which demonstrates excellent performance against NABERS benchmarks and exceeds policy requirements.

Waste

The ANAO segregates waste to ensure suitable items are recycled and to minimise landfill. Organic waste bins were introduced in February 2022. From 1 July 2021, the ANAO has received monthly reporting from waste vendors to support better understanding of consumption, identify areas for improvement and support reduction of the total amount of waste sent to landfill. Approximately 65 per cent of total waste generated by the ANAO in 2021–22 was sent to landfill, and 35 per cent was recycled.

Disability reporting

Australia's Disability Strategy 2021–2031 is the overarching framework for inclusive policies, programs and infrastructure that will support people with disability to participate in all areas of Australian life. The strategy sets out where practical changes will be made to improve the lives of people with disability in Australia. It acts to ensure the principles underpinning the UN Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs that affect people with disability, their families and carers. All levels of government have committed to deliver more comprehensive and visible reporting under the strategy. A range of progress reports on the strategy's action plans and outcome areas will be published and available at disabilitygateway.gov.au/ads.

In December 2020, the Australian Government released the Australian Public Service Disability Employment Strategy 2020–2025, with the goal of increasing the employment of people with disability across the Australian Public Service to 7 per cent by 2025. Disability reporting is included in the

Australian Public Service Commission's State of the Service reports and the *APS Statistical Bulletin*. These reports are available at apsc.gov.au.

Work health and safety

Under section 38 of the *Work Health and Safety Act 2011*, the ANAO is required to notify Comcare of any incidents arising out of the conduct of the ANAO's operations that result in death, serious injury or serious illness of a person, or involve a dangerous incident. No incidents were reported in 2021–22.

Freedom of information

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

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

- the Auditor-General's expenses in the form of official credit card transactions;
- details of parliamentary briefings provided on request to parliamentarians and parliamentary committees;
- Senior Executive Service remuneration policy and details;
- gifts and benefits offered (whether accepted or refused);
- ANAO Workforce Plan 2022–25;
- Quality Assurance Framework and Plan 2022–23;
- ASIC Audit Inspection Report of the ANAO; and
- the ANAO's risk management framework.

Audit fee methodology

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

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

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

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

Using the methodology outlined, the average hourly charge-out rate for the ANAO in 2021–22 was \$233.27, ranging from \$151.76 per hour for a junior auditor through to \$454.22 for a senior executive.

Service charter

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

Abbreviations and acronyms

ACAG	Australasian Council of Auditors-General
AGD	Attorney-General's Department
ANAO	Australian National Audit Office
APES	Accounting Professional and Ethical Standard
APS	Australian Public Service
ASA	Australian Auditing Standards
ASIC	Australian Securities and Investments Commission
ASOSAI	Asian Organization of Supreme Audit Institutions
ASQC	Australian Standard on Quality Control
ASQM	Australian Standard on Quality Management
AUASB	Auditing and Assurance Standards Board
BPK	Badan Pemeriksa Keuangan [Republik Indonesia] (Audit Board of the Republic of Indonesia)
CA ANZ	Chartered Accountants Australia and New Zealand
CFO	chief financial officer
CPA	certified practising accountant
DevOps	a portmanteau from 'software development' and 'IT operations'
DFAT	Department of Foreign Affairs and Trade
DSS	Department of Social Services
DVA	Department of Veterans' Affairs
EPBC Act	<i>Environment Protection and Biodiversity Conservation Act 1999</i>
FIPP	Forum for INTOSAI Professional Pronouncements
GST	goods and services tax
INTOSAI	International Organization of Supreme Audit Institutions
IPP	Institutional Partnerships Program (Australia and Papua New Guinea)
JCPAA	Joint Committee of Public Accounts and Audit
MJ	megajoules
NABERS	National Australian Built Environment Rating System
PASAI	Pacific Association of Supreme Audit Institutions

PBS	portfolio budget statements
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PGPA Rule	Public Governance, Performance and Accountability Rule 2014
PNG	Papua New Guinea
Prospera	Australia–Indonesia Partnership for Economic Development
PSM	Public Service Medal
SAI	supreme audit institution
SES	Senior Executive Service
SME	small and medium-sized enterprise
WHS	work health and safety

List of requirements

Below is the table set out in Schedule 2 of the PGPA Rule. Section 17AJ(d) requires this table be included in entities' annual reports as an aid of access.

PGPA Rule reference	Description	Requirement	Page
17AD(g)	Letter of transmittal		
17AI	A copy of the letter of transmittal signed and dated by accountable authority on date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report.	Mandatory	iii
17AD(h)	Aids to access		
17AJ(a)	Table of contents (print only).	Mandatory	v
17AJ(b)	Alphabetical index (print only).	Mandatory	129
17AJ(c)	Glossary of abbreviations and acronyms	Mandatory	120
17AJ(d)	List of requirements	Mandatory	122
17AJ(e)	Details of contact officer	Mandatory	iv
17AJ(f)	Entity's website address	Mandatory	iv
17AJ(g)	Electronic address of report	Mandatory	iv
17AD(a)	Review by accountable authority		
17AD(a)	A review by the accountable authority of the entity	Mandatory	1, 17
17AD(b)	Overview of the entity		
17AE(1)(a)(i)	A description of the role and functions of the entity	Mandatory	6
17AE(1)(a)(ii)	A description of the organisational structure of the entity	Mandatory	7, 8
17AE(1)(a)(iii)	A description of the outcomes and programs administered by the entity	Mandatory	iv, 7, 17
17AE(1)(a)(iv)	A description of the purposes of the entity as included in corporate plan	Mandatory	6, 7
17AE(1)(aa)(i)	Name of the accountable authority or each member of the accountable authority	Mandatory	iv, 17
17AE(1)(aa)(ii)	Position title of the accountable authority or each member of the accountable authority	Mandatory	17
17AE(1)(aa)(iii)	Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	6
17AE(1)(b)	An outline of the structure of the portfolio of the entity	Portfolio departments — mandatory	N/A

PGPA Rule reference	Description	Requirement	Page
17AE(2)	Where the outcomes and programs administered by the entity differ from any portfolio budget statement, portfolio additional estimates statements or other portfolio estimates statements that were prepared for the entity for the period, include details of variation and reasons for change	If applicable, mandatory	N/A
17AD(c)	Report on the performance of the entity		
	<i>Annual performance statements</i>		
17AD(c)(i) 16F	Annual performance statements in accordance with paragraph 39(1)(b) of the PGPA Act and section 16F of the PGPA Rule	Mandatory	17
17AD(c)(ii)	Report on financial performance		
17AF(1)(a)	A discussion and analysis of the entity's financial performance	Mandatory	44
17AF(1)(b)	A table summarising the total resources and total payments of the entity	Mandatory	46
17AF(2)	If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, mandatory	N/A
17AD(d)	Management and accountability		
	<i>Corporate governance</i>		
17AG(2)(a)	Information on compliance with section 10 (fraud systems)	Mandatory	iii, 97–98
17AG(2)(b)(i)	A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	iii
17AG(2)(b)(ii)	A certification by accountable authority that 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	iii
17AG(2)(b)(iii)	A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	iii
17AG(2)(c)	An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	80
17AG(2)(d)–(e)	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	N/A

PGPA Rule reference	Description	Requirement	Page
	<i>Audit committee</i>		
17AG(2A)(a)	A direct electronic address of the charter determining the functions of the entity's audit committee	Mandatory	84
17AG(2A)(b)	The name of each member of the entity's audit committee	Mandatory	84
17AG(2A)(c)	The qualifications, knowledge, skills or experience of each member of the entity's audit committee	Mandatory	84
17AG(2A)(d)	Information about the attendance of each member of the entity's audit committee at committee meetings	Mandatory	84
17AG(2A)(e)	The remuneration of each member of the entity's audit committee	Mandatory	84
	<i>External scrutiny</i>		
17AG(3)	Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	35, 99
17AG(3)(a)	Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, mandatory	N/A
17AG(3)(b)	Information on any reports on operations of the entity by the Auditor-General (other than report under section 43 of the PGPA Act), a parliamentary committee or the Commonwealth Ombudsman	If applicable, mandatory	N/A
17AG(3)(c)	Information on any capability reviews on the entity that were released during the period	If applicable, mandatory	N/A
	<i>Management of human resources</i>		
17AG(4)(a)	An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	88–53
17AG(4)(aa)	Statistics on the entity's employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> • statistics on full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location 	Mandatory	106–107

PGPA Rule reference	Description	Requirement	Page
17AG(4)(b)	Statistics on the entity's APS employees on an ongoing and non-ongoing basis, including the following: <ul style="list-style-type: none"> • statistics on staffing classification level • statistics on full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location • statistics on employees who identify as Indigenous 	Mandatory	106–107
17AG(4)(c)	Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>	Mandatory	7, 80, 106–112
17AG(4)(c)(i)	Information on the number of SES and non-SES employees covered by agreements, etc. identified in paragraph 17AG(4)(c) of the PGPA Rule	Mandatory	106–107
17AG(4)(c)(ii)	The salary ranges available for APS employees by classification level	Mandatory	108
17AG(4)(c)(iii)	A description of non-salary benefits provided to employees	Mandatory	109
17AG(4)(d)(i)	Information on the number of employees at each classification level who received performance pay	If applicable, mandatory	108
17AG(4)(d)(ii)	Information on aggregate amounts of performance pay at each classification level	If applicable, mandatory	108
17AG(4)(d)(iii)	Information on the average amount of performance payment, and range of such payments, at each classification level	If applicable, mandatory	108
17AG(4)(d)(iv)	Information on aggregate amount of performance payments	If applicable, mandatory	108
<i>Asset management</i>			
17AG(5)	An assessment of effectiveness of asset management where asset management is a significant part of the entity's activities	If applicable, mandatory	113
<i>Purchasing</i>			
17AG(6)	An assessment of entity performance against the Commonwealth Procurement Rules	Mandatory	113
<i>Reportable consultancy contracts</i>			
17AG(7)(a)	A summary statement detailing the number of new reportable consultancy contracts entered into during the period; the total actual expenditure on all such contracts (inclusive of GST); the number of ongoing reportable consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on those ongoing contracts (inclusive of GST)	Mandatory	113–115

PGPA Rule reference	Description	Requirement	Page
7AG(7)(b)	A statement that 'During [reporting period], [specified number] new reportable consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing reportable consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].'	Mandatory	113–115
17AG(7)(c)	A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	45, 114
17AG(7)(d)	A statement that 'Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.'	Mandatory	114
<i>Reportable non-consultancy contracts</i>			
17AG(7A)(a)	A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST)	Mandatory	115
17AG(7A)(b)	A statement that 'Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website.'	Mandatory	114
17AD(daa)	<i>Additional information about organisations receiving amounts under reportable consultancy or non-consultancy contracts</i>		
17AGA	Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts	Mandatory	113–115
<i>Australian National Audit Office access clauses</i>			
17AG(8)	If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract	If applicable, mandatory	N/A

PGPA Rule reference	Description	Requirement	Page
	Exempt contracts		
17AG(9)	If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published on AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters	If applicable, mandatory	N/A
	Small business		
17AG(10)(a)	A statement that '[Name of entity] supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website.'	Mandatory	115
17AG(10)(b)	An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	115
17AG(10)(c)	If the entity is considered by the department administered by the Finance Minister as material in nature — a statement that '[Name of entity] recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website.'	If applicable, mandatory	113
	Financial statements		
17AD(e)	Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	47
	Executive remuneration		
17AD(da)	Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2–3 of the Rule	Mandatory	107
17AD(f)	Other mandatory information		
17AH(1)(a)(i)	If the entity conducted advertising campaigns, a statement that 'During [reporting period], the [name of entity] conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available at [address of entity's website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance's website.'	If applicable, mandatory	116
17AH(1)(a)(ii)	If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, mandatory	N/A

PGPA Rule reference	Description	Requirement	Page
11187AH(1)(b)	A statement that 'Information on grants awarded by [name of entity] during [reporting period] is available at [address of entity's website].'	If applicable, mandatory	116
17AH(1)(c)	Outline of mechanisms of disability reporting, including reference to website for further information	Mandatory	117
17AH(1)(d)	Website reference to where the entity's Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	iv
17AH(1)(e)	Correction of material errors in previous annual report	If applicable, mandatory	N/A
17AH(2)	Information required by other legislation	Mandatory	iv

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