



Australian Government  
Department of Finance



# Welcome

## **Audit Committee Chairs Forum**

Hosted by the Australian National Audit Office  
and the Department of Finance

9 December 2022



# Welcome and opening remarks

**MC: Tracey Carroll**  
First Assistant Secretary  
Financial Analysis, Reporting and Management Division  
Department of Finance



# Auditor-General Insights

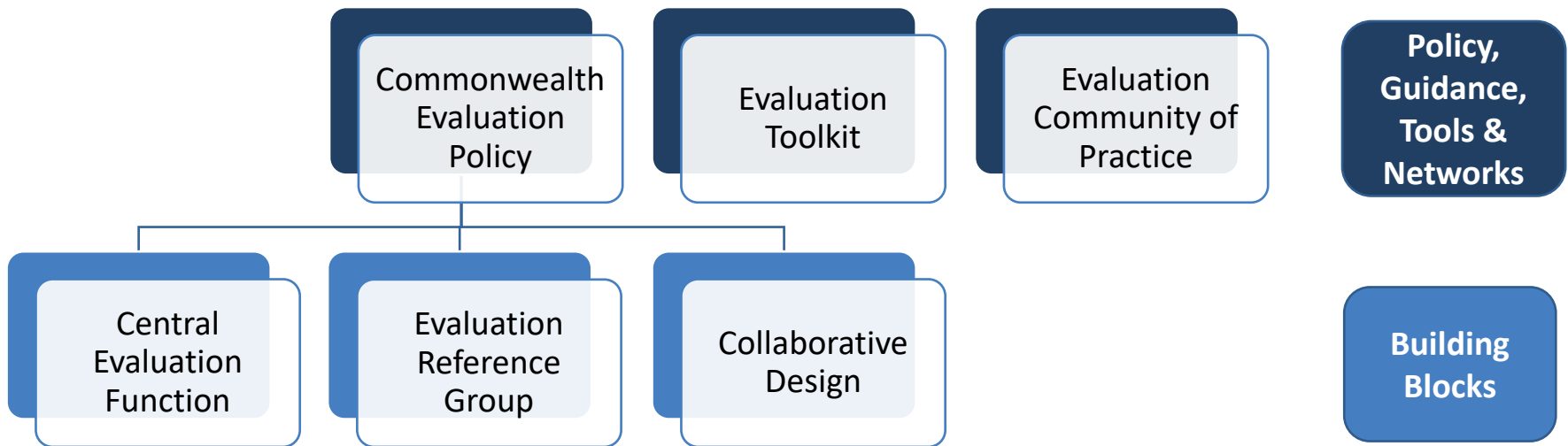
**Grant Hehir**  
Auditor-General



# Governance update

**Scott Dilley**  
First Assistant Secretary  
Governance Division  
Department of Finance

## Embed a culture of evaluation and learning to underpin evidence-based policy and delivery \*



\* Recommendation 26 in the Independent Review of the Australian Public Sector (Thodey Review), 2019



## Commonwealth Evaluation Policy

- Principles-based policy to support fit-for-purpose evaluative approaches in line with the public sector resourcing, reporting and performance frameworks established under the *Public Governance, Performance and Accountability (PGPA) Act 2013*.
- The Policy is designed to:
  - embed a culture of evaluation and learning from experience across the Commonwealth to underpin evidence-based policy and delivery
  - improve the way entities assess implementation, measure the impact of government programs and activities, and frame policy decisions on revised or new programs
  - improve the quality of performance reporting for the purposes of accountability, continuous improvement and decision-making.
- The Commonwealth Evaluation Principles (fit for purpose; useful; robust, ethical and culturally appropriate; credible; and transparent where appropriate) are designed to guide the conduct of evaluation activities across the policy cycle to inform and improve policy development.

# Evaluation Toolkit (RMG 130)

This guidance has been developed to provide anyone new to evaluation with an overview of evaluation concepts and approaches.

It will help you:



understand the importance of planning how to evaluate




understand the role of monitoring and evaluation in the policy cycle



choose fit for purpose evaluative approaches



plan and undertake an evaluation.



## Commonwealth Evaluation Policy →



### What is evaluation? →

Evaluation involves the systematic assessment of programs and activities to support continuous improvement, accountability, and decision-making



### Why evaluate? →

Planning how programs and activities will be evaluated from the start is good practice and helps to meet relevant policy and legislative requirements



### When to evaluate? →

A risk-based approach will help to identify and prioritise the timing and type of evaluation needed at different stages of the policy cycle



### Who evaluates? →

Who conducts an evaluation depends on its purpose and design, and the capability and culture within an entity



### How to evaluate? →

An introduction to the steps involved, and questions to consider, when planning or conducting an evaluation of a government program or activity



### Templates, tools and additional resources →

A set of templates, tools and additional resources to support this guide



# 2021-22 Financial Reporting

**Tracey Carroll**  
First Assistant Secretary  
Financial Analysis, Reporting and Management Division  
Department of Finance





# 2021-22 Financial Reporting



## Observations/reflections on 2021-22

- Financial statements timeframes impacted by:
  - ongoing impact of COVID-19
  - ongoing shortage of professional resources, both in entities and audit teams
  - concurrent 2021-22 financial statements and 2022-23 October Budget deadlines
  - impacts of Machinery of Government changes.



# 2021-22 Financial Reporting



## Observations/reflections on 2021-22

- Common entity queries:
  - appropriation recognition and disclosures
  - software as a service and capital budgets
  - key management personnel and executive remuneration disclosures
  - lease modifications.



# 2021-22 Financial Reporting



- For 2022-23, entities encouraged to:
  - Plan early, and consider staffing requirements, capability and development
    - Where required, seek technical expertise early, such as valuations
  - Early engagement with audit teams and Finance on technical issues
  - Ensure professional judgements and accounting estimates documented, and supporting documentation on file.



# **Key themes from the Auditor-General's Report on the Financial Statements audits of Australian Government Entities for the Period Ended 30 June 2022**

**Sean Benfield**  
Senior Executive Director  
Financial Statements Audit Services Group  
Australian National Audit Office



# 2021-22 Financial Statements Auditor's Reports Issued



Auditor's report	2021-22	2020-21
Unmodified	237	241
Included an emphasis of matter	6	7
Included a Report on other legal and regulatory requirements	0	0
Modified	1	1
Auditor's reports issued	237	242
Not yet issued	10	3
Total number of financial statements audits	248	245



# 2021-22 Financial Statements audit outcomes



Concluded for the majority of entities that:

- key elements of internal control were operating effectively to provide reasonable assurance that the entities were able to prepare financial statements that are free from material misstatement.

Key audit matters (KAM):

- 57 KAM across 25 controls report entities. Focus was predominately fair value of assets and liabilities (and associated estimation and judgements).

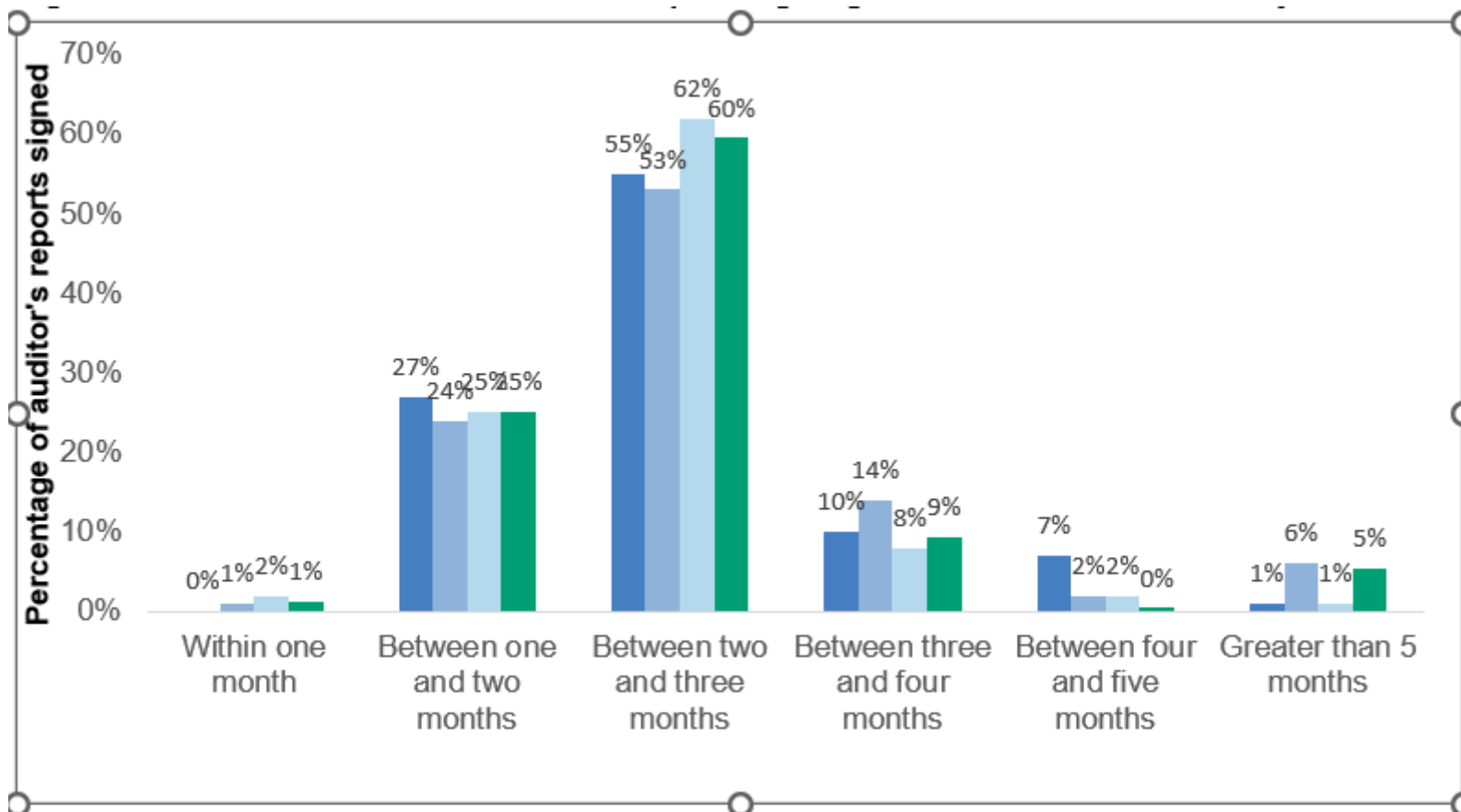


# Audit Findings



- Total findings 175 (2020-21: 165)
  - 1 significant (2020-21: 2)
  - 27 moderate (2020-21: 21)
  - 132 minor (2020-21: 127)
  - 15 Legislative Breaches (2020-21: 14)
- Significant number of findings continue to relate to IT controls (privileged users, terminated user removal).
- Increasing number of Legislative Breaches.

# Timeliness of auditor's report







# Observations in 2021-22



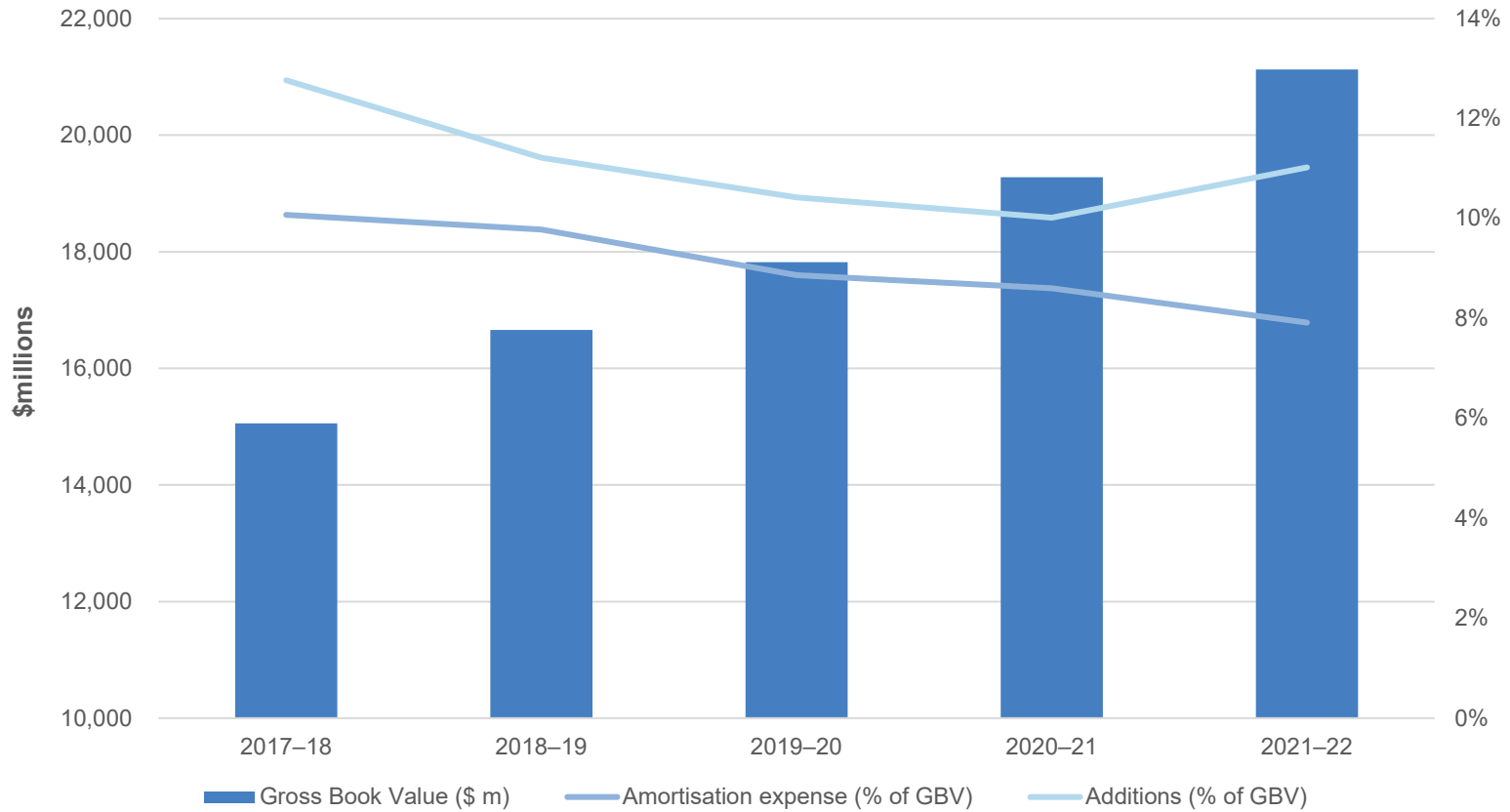
- Executive Remunerations
  - KMPs
  - Compliance with Rem Tribunal
- Bonuses
- Related Parties
- Shared Services
- Intangible assets



# Intangible assets



## Australian Government computer software (in use and under construction)





# Moving forward in 2022-23



## **Expectations 2022-23**

- Intangibles
- Whole of Government Challenges
- Population Data – Appropriation/CBMS
- KMP
- Governance Issues
- Valuations



# Sustainability reporting

**Peter Gibson**  
Special Advisor  
Accounting and Frameworks Branch  
Financial Analysis, Reporting and Management Division  
Department of Finance



# Purpose



- This presentation is designed to provide an update about current developments in sustainability reporting standards.
- Sustainability reporting standards are a consideration for audit committees because of the committees' role in management of risk and financial reporting.
- Current developments are still progressing quickly.
- Thought is being given to sustainability reporting by government entities.
- There are possible consequences for finance and governance units in government entities, and things that can be done now.



# The definition of sustainability



- There is no accepted definition of sustainability, nor is one contained in the draft ISSB standards;
- The primary consensus is that it covers the range of environmental, social and governance (ESG) issues, not solely environmental issues and particularly not just restricted to climate-change;
  - This broader scope underpins the long-established Global Reporting Initiative (GRI) and the United Nations Sustainable Development Goals;
  - The European Community has issued drafts of a range of standards that cover the “complete” range of ESG including social and governance;
- A minority view still equates sustainability with climate-change.



# Reaction to the ISSB



- Establishment of the ISSB and its purpose received wide support, including from the business community.
- Stakeholders have perceived the “devil is in the detail” with the proposals in S1 and S2.
- The ISSB are working through the most important comments received in response to its exposure drafts.
- It aims to issue completed standards “as early as possible in 2023”.
- It has not set implementation dates for the resulting standards.
- The ISSB is also working on a taxonomy to facilitate digital sustainability reporting.
- The ISSB aims to conduct an agenda consultation in 2023 to identify priorities for further sustainability reporting topics.



# Australia



- The Financial Reporting Council, AASB and AuASB have taken the lead for sustainability reporting in Australia, following support received in early 2022. They made a joint submission to the ISSB on its exposure drafts and continue to take a keen interest in sustainability matters, including stakeholder consultation.
- They expect to issue any Australian standards, based on those of the ISSB.
- However, the standards would not become mandatory for the private sector unless policy-makers issue some form of directive, normally either legislation or regulation. Treasury is the relevant government agency in respect of company reporting.
- Liability for company directors in respect of sustainability information has been identified as an issue.
- Feedback received by the ISSB is that implementation may be challenging for some organisations. Suggestions have been made for either a reasonable lead time, or progressive implementation.
  - Policy-makers have yet to determine an implementation schedule.





# What would the two standards now be before the ISSB require?



- There is a general disclosure standard (S1) which requires some generic disclosures across all sustainability-related matters, as well as set out framework issues (on matters similar to the accounting framework, such as materiality, reporting entities, frequency of reporting, disclosing comparatives, handling errors etc)
  - A challenge with S1 is that it requires disclosures about all aspects of sustainability, including those that haven't been defined yet !
- There is a climate-related disclosure standard (S2) which requires reporting about the risks and opportunities:
  - Governance – role of the accountable authority and who in the entity is responsible and how do they operate?
  - Strategy – for addressing climate-related risks and opportunities;
  - Risk management – how climate-related risks and opportunities are identified and managed
- These disclosures are mostly text-based, and could in most cases be progressed now.



# What would the two standards now before the ISSB require?



- Also required are Metrics and Targets, which are mostly quantitative:
  - These include some cross-industry metrics, mostly about emissions;
    - E.g. how much carbon dioxide does the entity emit, what is its target, and why it may not have met its target.
  - They also include specific metrics for major industry classifications – transport, oil and gas etc. Entities operating across industries such as conglomerates would have to report against multiple industry requirements; there are no industry-specific metrics in the exposure drafts for the “government industry” – i.e. public administration.
  - Entities are also encouraged to disclose any other climate-related metrics and targets.
  - Progress to achievement of targets is also required to be disclosed.
- Entities operating over diverse geographic locations are encouraged to break down disclosures by region.
- There are challenges in measuring emissions (esp. Scope 3), scenario modelling of the future, and determining the current period financial impacts.



# Public Sector in Australia



- The objective of the ISSB standards is to provide information needed for corporate investment decisions. This objective is not as relevant to the not-for-profit public sector;
- There is international public sector work being undertaken by governments (e.g. UK and Norway) and NGOs (e.g. IPSASB, World Bank);
- The Commonwealth, and most states and territories, have been actively considering sustainability reporting. Different jurisdictions are at different stages;
  - Commonwealth pilot approach;
  - DCCEEW and Finance priorities;
- Application to different types of government entities might vary, particularly for government-owned companies and government business enterprises. They are in the “grey zone” between private and public sectors;
- There are some government-specific reporting issues e.g. consolidated v entity reporting; whole of government policies; identifying and getting information from all levels of the value chain; scope.
- The EPBC Act already applies for environmental reporting; some other disparate reporting requirements exist on specific sustainability matters; annual reports.



# Implications for entities



Sustainability reporting with scope similar to S1 and S2 has significant implications for entities, most directly across “corporate” functions. Here are just a few – it is not necessarily a complete set:

- Finance – quantifying current period impacts; applying reporting expertise; external budget management;
- Risk Management – potentially integrating sustainability risk management with other risk management;
- Legal – drafting of contracts, advice on director and officer liability;
- Procurement and Property/Facilities – policies and practices to achieve targets, including net-zero; obtaining best value for money for external advisors;
- Annual reporting process – undetermined impact on annual report requirements to include sustainability disclosures;
- Human Resources – planning for capabilities; possible future social reporting requirements;
- ICT – acquiring or developing systems to manage data and reporting;
- Corporate Governance – implementing policies and processes about all relevant decisions; liaison with assurance providers if required;
- Community and media liaison – questions about the entity performance arising from public reporting.



# What can an audit committee chair do now to be prepared? Some “low impact” suggestions



- Ask the CFO about the disclosures in the 2022-23 financial statements for climate-related impacts, to ensure completeness.
- Ask the CRO (or other entity contact) about climate risk and opportunity management and any changes necessary.
- Discuss climate risk and reporting with the entity accountable authority (or your other contact in the entity).
  - Does the accountable authority want any current engagement with the audit committee (particularly in the risk management role).
  - Plan what to do next following this discussion.



# If the accountable authority wants the Audit Committee to have an active role now.....(suggestions)



- Consider whether an amendment to the Audit Committee Charter is warranted;
- Clarify the role of the accountable authority and allocate responsibility for sustainability matters. Responsibility may be vested in more than one person. (this is good governance);
- A preliminary process to identify climate-related risks and opportunities, perhaps through existing risk management processes (this is good governance);
- Plan for the committee to keep up to date with government reporting requirements;
- Seek and review a preliminary plan of how the entity will be able to make disclosures – high level sketch plan only, based on requirements in S1 and S2;
- Ensure emissions information that is already reported has robust measurement principles and documentation;
- If your entity is a company, consider legal liability of directors for sustainability reports.



# Cyber security

**Edwin Apoderado**

Senior Director

Systems Assurance and Data Analytics

Australian National Audit Office



# Cyber Security



- Lessons Learned

- Assurance processes can assist an entity to understand whether the controls implemented are effective
- Providing appropriate guidance, including by documenting procedures, can assist operationalise requirements
- Security responsibilities cannot be outsourced





# **External cyber threats – lessons learns from recent attacks**

**Stephanie Crowe**  
First Assistant Secretary  
Australian Signals Directorate



# Performance statements audit update

**George Sotiropoulos**

Group Executive Director

Performance Statements Audit Services Group

Australian National Audit Office



# Performance audit update



## **Auditing ethics in procurements (ANAO's audit insights)**

**Carla Jago**

Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office



## Auditing ethics in procurement



- Recent audits:
  - No. 30 (2021-22) Procurement of the National Capital Authority
  - No. 42 (2021-22) Procurement of Delivery Partners for the Entrepreneurs' Programme
  - **No. 5 (2022-23) Digital Transformation Agency's Procurement of ICT Related Services**



- Joint Committee of Public Accounts and Audit inquiry into Commonwealth procurement
  - a view to improving the culture of how procurement rules and guidelines are implemented across the APS
  - will have a particular focus on the matters contained in and associated with selected Auditor-General Reports



## JCPAA procurement inquiry



- The ANAO and other government and non-government entities have made submissions to the JCPAA inquiry.
- See [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Joint/Public Accounts and Audit/CommonwealthProcurement](https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/CommonwealthProcurement)
- Public hearings on 14 and 15 December



# Spotting ethical red flags in procurement - Panel discussion



## Panel members:

**Kylie Bryant**

Head of AusIndustry

Department of Industry, Science and Resources

**Gareth Sebar**

Assistant Secretary

Procurement and Insurance Division,  
Department of Finance

**Peter Achterstraat**

Audit Committee Chair

## Moderator:

**Jane Meade**

Group Executive Director

Professional Services and Relationship Group, ANAO



# Forum close

Thank you for joining us