



Audit Quality Report

2019–20

The ANAO Quality Assurance Framework is the system of quality control that the ANAO has established to provide the Auditor-General with reasonable assurance that the ANAO complies with the ANAO standards and applicable legal and regulatory requirements and reports issued by the ANAO are appropriate in the circumstances.

The Audit Quality Report demonstrates the ANAO assessment of the implementation and operating effectiveness of the elements of the ANAO Quality Assurance Framework. The report provides transparency in respect of the processes, policies, and procedures that support each element of the ANAO Quality Assurance Framework, and reports audit quality indicators measuring ANAO performance against target benchmarks.

This report also includes the achievement of the quality assurance strategy and deliverables set out in the [ANAO Quality Assurance Framework and Plan 2019–20](#).

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1. Introduction

The purpose of the Australian National Audit Office (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 maintains a strong and ongoing focus on its quality framework as a core business investment. A sound quality framework supports 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. This facilitates Parliament's confidence that the ANAO operates with independence and that the audit approach meets the auditing standards set by the Auditor-General.

Framework for quality

The ANAO is established under the [Auditor-General Act 1997](#) (the Act). Section 24 of the Act requires the Auditor-General to set auditing standards that are to be complied with by persons performing functions under the Act. The [ANAO Auditing Standards](#) set under this provision incorporate standards issued by the Auditing and Assurance Standards Board (AUASB) and relevant auditing and assurance standards issued by standard-setting bodies other than the AUASB as appropriate. Specific to quality assurance, this includes 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).

ANAO definition of quality

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

Purpose of the audit quality report

Under ASQC 1 the ANAO is required to establish and maintain a system of quality control designed to provide it with reasonable assurance that the ANAO complies with the ANAO standards and applicable legal and regulatory requirements and reports issued by the ANAO are appropriate in the circumstances. This system of quality control comprises the [ANAO quality assurance framework](#).

The ANAO quality assurance framework is required to include policies and procedures that address each of the following elements:

1. Leadership responsibilities for quality;
2. Relevant ethical requirements;
3. Audit mandate and selection;
4. Human resources;
5. Audit performance; and

6. Monitoring.

This report provides transparency in respect of the processes, policies, and procedures that support each element of audit quality, and reports on the 2019–20 audit quality indicators which measure ANAO performance against target benchmarks and activities conducted throughout 2019–20.

Audit quality indicators

Audit quality indicators (AQIs) are reliable quantitative measures, for both individual audits and organisations that perform audits, which provide insights into key matters that may contribute to the quality of an audit. Taken together with qualitative context, the indicators inform discussions regarding auditing processes, and lead to strengthened audit planning, execution, and communication.

Incorporating AQIs into audit quality assessments can inform and enhance understanding of quality issues and assist in clarifying the root causes of findings identified from quality reviews. This in turn improves audit quality by ensuring that remediation activities address the issues that potentially impact audit quality.

The ANAO has developed benchmarks for each AQI against which performance is assessed. The source of several AQIs are measures from the Australasian Council of Auditors-General (ACAG) macro benchmarking survey in which every Australian audit office, including the ANAO, participates. A number of ANAO benchmarks were developed using past results of comparable audit offices taken from this survey. Other benchmarks were developed using targets from [ANAO performance measures](#), [Audit Manual](#) policy requirements and ANAO expectations regarding independence and audit quality.

Summary of 2019–20 audit quality indicator results

The ANAO Quality Report measures 14 quantitative AQIs. The 2019–20 ANAO results against the following seven of the AQI benchmarks were within expectations or exceeded expectations:

- Compliance with independence requirements (Relevant ethical requirements);
- Training hours per audit professional (Human Resources);
- Technical accounting and auditing resources (Human Resources);
- Staff workload (chargeable hours per FTE professional financial audit) (Human Resources);
- Internal quality review coverage – financial audit (Monitoring);
- Internal quality review coverage – performance audit (Monitoring); and
- Results of independent surveys of Joint Committee of Public Accounts and Audit (JCPAA) members (Monitoring)

For the following AQI benchmarks the 2019–20 ANAO results were not within expectations, indicating areas for the ANAO to further understand and assess the impact on audit quality:

- Turnover of audit personnel (Human Resources);
- Staffing leverage ratios (Human Resources);
- Workload for audit staff (Human Resources);
- Number and percentage of restatements of financial statements resulting from a prior period error (Audit Performance); and

- Number of audit files rated as ‘Unsatisfactory’ in the ANAO Annual Inspection Program (Monitoring).

The 2019–20 AQI results identified themes that are consistent with the results of leadership dialogue sessions and the ANAO root cause analysis. The retention and allocation of audit staff is a focus area for the ANAO. The [ANAO Corporate Plan 2020–21](#) sets out that over the next four years, the ANAO will develop the next workforce strategy focused on recruitment and retention, and will develop a new resourcing model for assurance audits.

In response to the ‘unsatisfactory’ audit files, the ANAO conducted a root cause analysis to understand the underlying drivers of deficiencies and a Quality Improvement Action Plan has been developed to improve resourcing and allocation of staff, learning and development and on-the-job coaching.

The Australian Securities and Investments Commission (ASIC) reviewed the ANAO pilot root cause analysis processes and methodology. ASIC recommended that the program be expanded to cover audits where there have been subsequent restatements of financial statements. This good practice recommendation will be incorporated into the methodology in future years to further assess the underlying drivers of material restatements and what these misstatements may indicate about ANAO processes.

Summary of achievement of quality assurance strategy and deliverables for 2019–20

The [ANAO Quality Assurance Framework and Plan 2019–20](#) set out 15 key deliverables for completion in 2019–20. Progress against these deliverables as at 30 June 2020 was:

- 11 deliverables were completed; and
- 4 deliverables were in progress.

2. Elements of the ANAO Quality Assurance Framework

Leadership responsibilities for quality in the ANAO

The ANAO's leadership, operational goals and strategy are aligned with a focus on audit quality

The [ANAO Corporate Plan 2019–20](#) set the focus of ANAO leadership, operational goals and strategies. Quality is one of the three key capability areas that the ANAO invests in to support the ANAO in achieving its purpose.

The ANAO 2019–20 Corporate Plan also included the following quality performance measure: The ANAO Quality Assurance Program indicates that audit opinions and conclusions are appropriate. This measure is reported in the [ANAO Annual Report 2019–20](#).

To achieve the ANAO's priorities, and operationalise and support the corporate plan, each service group of the ANAO sets a group plan. Audit Quality is a shared responsibility for all staff, and each group plan includes the 'Quality' corporate plan capability and outlines the activities, and measures of success, that each group is responsible to lead or support. These group plans inform individual performance agreements and provide a link from the ANAO corporate plan to staff performance plans. This supports all ANAO staff to understand the importance of their work in achieving the ANAO's outcomes and contributing to audit quality.

As the accountable authority of the ANAO, the Auditor-General has a duty under s16 of the [Public Governance, Performance and Accountability Act 2013](#) (PGPA Act) to establish and maintain systems relating to risk and control. A key strategic risk for the ANAO relates to compliance with the ANAO Auditing Standards and audit quality. The quality assurance framework is made up of controls to support compliance with the ANAO Auditing Standards, policies and methodology. In fulfilling this duty, the Auditor-General demonstrates a leadership commitment to audit quality and culture by promoting and implementing effective quality control systems and engaging in regular staff communications on audit quality.

The importance of audit quality is regularly emphasised in ANAO Executive discussions in weekly operations meetings and monthly Executive Board of Management (EBOM) meetings, and all staff communications, such as town hall meetings. The Auditor-General's monthly messages to staff regularly report on quality activities conducted in the ANAO and emphasise the importance of the ANAO's focus on audit quality. Through this communication, the Auditor-General sets the expectation that all ANAO staff take a shared responsibility for quality and view the monitoring activities as an opportunity to continuously improve. The results of monitoring activities and lessons learned are communicated to all staff through technical update sessions, supporting staff to improve audit quality across all audits and engagements. The ANAO recognises the importance that openness to evaluation plays in building a culture focused on quality, learning and continuous improvement.

The ANAO's core values, principles, and code of conduct emphasise audit quality

The ANAO's core values are respect, integrity and excellence. ANAO staff must act in accordance with the [Australian Public Service \(APS\) values](#) and the [Code of Conduct](#) as set out in the [Public Service Act 1999](#). The values and code of conduct guide ANAO staff in performing their roles

objectively, with impartiality and in the best interests of the Parliament. These values and principles are consistent with behaviour promoting audit quality. The ANAO holds itself to high standards to ensure independence and accountability across all levels of the organisation.

The ANAO's governance and reporting structure, including how the structure contributes to an emphasis on audit quality

The Auditor-General is ultimately responsible for the system of quality control in place for all assurance and related activities undertaken by the ANAO. From an operational perspective, the Deputy Auditor-General is responsible for ensuring that the system of quality control satisfies the requirements of the ANAO Auditing Standards. The Deputy Auditor-General is assisted with this role by the Group Executive Directors (GEDs) and Senior Executive Directors (SEDs) from the ANAO's five groups:

- Assurance Audit Services Group (AASG);
- Performance Audit Services Group (PASG);
- Systems Assurance and Data Analytics Group (SADA);
- Professional Services and Relationships Group (PSRG); and
- Corporate Management Group (CMG).

GED and SED leaders in each group reinforce the Auditor-General's expectations and focus on audit quality through group staff meetings, cohort forums and communications.

The ANAO has established governance for audit quality through the ANAO Quality Committee. The role of the Quality Committee is to monitor the implementation of the ANAO quality framework and report to EBOM. The Quality Committee is comprised of representatives from all ANAO business groups, and is chaired by the PSRG GED. The Committee meets on a quarterly basis and has Terms of Reference which include the following responsibilities:

- reviewing the findings of external and internal reviews in relation to quality as reported to EBOM;
- monitoring the ANAO's progress in addressing the findings and recommendations made in external or internal reviews;
- monitoring the operating effectiveness and efficiency of the quality framework against the audit quality indicators;
- monitoring the strategic and operational risks associated with quality;
- reporting to EBOM on the implementation of the quality framework; and
- considering proposed amendments to the [ANAO Audit Manual](#) that substantially impact the conduct of an audit, and making a recommendation to the Auditor-General for approval.

The Quality Committee met four times during 2019–20. A meeting scheduled for December 2019 was cancelled and the committee dealt with some matters out of session in January 2020. Three quarterly Quality Committee reports were tabled at EBOM meetings in 2019–20 reporting on the committee's activities in accordance with its terms of reference.

Quality Committee membership and meetings attended in 2019–20:

Member	July 2019	September 2019	March 2020	June 2020
PSRG GED (Chair)	✓	✓	✓	✓
PASG GED	✓	✓	✓	✓
AASG SED	✓	✓	✓	-
CMG SED	P*	-	-	P*
SADA SED	P*	✓	✓	✓
PASG Executive Director (ED)	✓	✓	✓	-
AASG ED	✓	-	✓	✓

* P = Proxy, the quality committee member was unable to attend the Committee meeting; a nominated proxy attended on their behalf.

The ANAO’s leadership obtains independent views and the roles and responsibilities of independent advisors related to audit quality

The ANAO Executive obtains independent views on audit quality from the ANAO Audit Committee, the Independent Auditor, external and peer reviews.

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 committee is comprised of an independent chair and members, with appropriate qualifications, knowledge, skills and experience to assist the committee to perform its functions. The PSRG GED presents on quality activities at the quarterly Audit Committee meeting. The Audit Committee reviews reports from all internal and external quality assurance reviews and internal audits, and monitors the progress of ANAO action items to address recommendations from external reviews.

The Auditor-General Act establishes the position of the Independent Auditor, who may conduct a performance audit of the ANAO at any time. The most recent Independent Auditor report, [Performance Audit of Internal Budgeting and Forecasting Processes and Practices](#), was tabled in Parliament on 24 September 2020.

ASIC provides additional external oversight and scrutiny over the quality framework through reviews of the framework and completed financial statements audits. The reports from the ASIC annual review are published on the ANAO website at [External audits and reviews](#).

The 2019–20 ASIC review included:

- (a) reviews of key areas in three audits of financial reports for the year ended 30 June 2019;
- (b) a review of the pilot root cause analysis conducted by the ANAO; and
- (c) a review of responses to ASIC’s good practice quality control recommendations from the prior year’s review of the ANAO’s quality assurance framework.

The ANAO and the New Zealand Office of the Auditor-General (NZ OAG) have a long standing arrangement to conduct reciprocal biennial performance audit peer reviews, on a rotating basis.

This peer review seeks to strengthen audit quality, through the provision of constructive feedback and sharing of better practices. In 2018–19 the NZ OAG conducted a peer review of two performance audits tabled by the ANAO. NZ OAG concluded that the evidence collected during the audits reviewed supported the report findings. The review identified that consistency of documentation could be improved in a number of steps of the audit management process.

NZ OAG provided the ANAO with five better practice recommendations relating to locating key documents and sign-offs, IT audit services, independence declarations, test programs and fact checking. Three of the five better practice recommendations were addressed by follow-up actions the ANAO had developed to address the internal reviews and internal audit findings. The ANAO developed follow-up actions to address the remaining two better practice recommendations. In 2019–20 all five better practice recommendations were addressed by the ANAO and finalised as completed. As part of the biennial reciprocal arrangement, in 2019–20 the ANAO peer reviewed two performance audits that were tabled by the NZ OAG. The reports on the results of the NZ OAG peer review are also published on the ANAO website at [External audits and reviews](#).

In 2019–20 the ANAO commenced a performance statements audit pilot, as requested by the Minister for Finance. The ANAO established a governance committee to oversee the performance statements audit pilot, with independent members including Chair Lyn Provost, former Controller and Auditor-General of New Zealand, and representation from auditees. The role of the Performance Statements Governance Committee is to provide advice to the Auditor-General as to: the appropriateness of the methodology for performance statements audits; options to maximise efficiency during scale up to full implementation; and an assessment of the success of the pilot program to inform advice to the Joint Committee of Public Accounts and Audit (JCPAA).

Relevant ethical requirements

The ANAO's policies, procedures, and methods for promoting an ethical workplace

Independence is fundamental to the ANAO's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism. In audit engagements, it is in the public interest and required by the ANAO Auditing Standards that auditors are independent of the entity subject to audit. Independence comprises both independence of mind and independence in appearance.

The ANAO Independence policy applies to all staff and contractors of the ANAO and is based on the requirements of [APES 110 Code of Ethics for Professional Accountants \(including Independence Requirements\)](#) (APES 110), to the extent there is not a conflict with the ANAO's legislated mandate and responsibilities.

The ANAO is a member of the International Organization of Supreme Audit Institutions (INTOSAI). INTOSAI developed a tool, called IntoSAINT, that allows supreme audit institutions and other public sector organisations to identify and evaluate their institutional vulnerability and the resilience of their integrity control system against possible integrity violations. In March 2019, the ANAO completed an IntoSAINT self-assessment as part of the Pacific region IntoSAINT pilot program. Findings from this self-assessment indicated that the ANAO builds and maintains integrity through a mature control system. As part of the ANAO's 2019–20 Corporate Plan, the ANAO committed to investing in integrity as a key organisational capability. To support this capability, the ANAO developed an integrity framework – a key recommendation from the IntoSAINT tool. The Integrity Framework establishes an overarching structure to the ANAO

integrity control system, by consolidating existing integrity controls, including legislation, policies, procedures and guidelines, and outlining the expected behaviours of staff as representatives of the ANAO.

The ANAO’s integrity controls system and processes include good governance practices, publishing of the [ANAO gifts and benefits register](#), 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 its culture.

The ANAO’s processes for monitoring compliance with independence requirements

Under the ANAO Independence Policy, suspected or actual contraventions of the independence requirements of legislation, APES 110 or ANAO policy requirements must be reported immediately to the responsible GED.

Audit Quality Indicator:	Compliance with independence requirements - Breaches of independence requirements (excluding documentation deficiencies)	
Benchmark	2019–20 Results	2018–19 Results
0	0	0

No breaches of independence requirements were reported during the year.

The ANAO monitors compliance with independence policies, including documentation requirements, as part of the quality assurance program for financial statements audits and performance audits. In 2019–20 an internal audit also reviewed compliance with independence policy requirements as part of its audit of compliance with the ANAO Audit Manual.

Audit Quality Indicator:	Monitoring of compliance with ANAO Independence requirements	
	2019–20 Results	2018–19 Results
Number of audits selected for internal independence reviews annually.	24 AASG audits reviewed 19 PASG audits reviewed	50 AASG audits reviewed 18 PASG audits reviewed
Number of instances identified where independence declarations were not completed	4 instances in the AASG audits reviewed 10 instances in the PASG audits reviewed	17 instances in the AASG audits reviewed 15 instances in the PASG audits reviewed

The monitoring of independence requirements identified instances where required individual audit team member declarations had not been completed. In 2018–19, Internal Audit recommended that responsible Engagement Executives obtain a listing of all team members who charge time to the audit and perform a review to ensure those team members had completed an independence declaration in the audit file. This recommendation was actioned and forms part of the completion procedures in both financial statements and performance audits. In 2019–20 the

number of instances where independence declarations were not completed decreased from the prior year. In the 2019–20 internal audit report a recommendation was made for the ANAO to emphasise, through further training or communication, the importance of each staff member completing independence declarations prior to participating in audits. The ANAO will action this recommendation.

ANAO monitoring of key audit personnel rotation requirements

The ANAO Independence Policy sets key audit personnel rotation requirements for financial statements audits to safeguard against the threat to independence that may arise from a long association with an auditee. This policy specifies the length of time that key audit personnel can be assigned to the financial statements audit of an entity, before rotation of key audit personnel or approval to extend involvement is required. Monitoring of the assignment and rotation of key audit personnel is performed by the Senior Executive Director responsible for Resourcing and Budgeting.

The 2018–19 ASIC review of the ANAO Quality Assurance Framework focused on resourcing policies including rotation requirements. ASIC made two better practice recommendations for ANAO consideration regarding monitoring the rotation of audit personnel below the Engagement Executive level and automating the monitoring of rotation of audit personnel.

The ANAO agreed with ASIC's recommendations and developed follow-up action items to address them. The ANAO has reviewed whether its current processes are sufficient to mitigate the risk of long involvement, including the allocation of staff below signing officer level to audits.

In response to this recommendation, financial statements audit files for 2019–20 are required to document the consideration of the rotation of senior team members. The ANAO is considering the options available to automate the tracking of executive rotation within audits.

In accordance with the ANAO Independence policy, all Engagement Executives and Engagement Quality Control Reviewers that had been assigned to financial statements audits for the maximum years allowed under the policy, and required rotation for the 2019–20 audit cycle, were rotated or approval was obtained where an extension was required.

ANAO management of potential conflicts of interest

In addition to the ANAO Independence Policy, the ANAO monitors conflicts of interest through:

- the Declaration of Personal Interests Policy which requires all ANAO SES to submit, at least annually, a written declaration of their, and their immediate family's, financial and other interests, that could involve a real or apparent conflict of interest.
- the ANAO Employment Manual requires ANAO employees to seek prior approval to engage in outside activities or employment. In the approval process, the Deputy Auditor-General considers if the outside activities or employment create a real or perceived conflict of interest.
- procurement policies and procedures require the declaration of conflicts of interest.

ANAO gifts and benefits monitoring

The ANAO must meet public expectations of integrity, accountability, independence, transparency and professionalism. This can only happen if staff are not influenced, or perceived to be influenced, by gifts, benefits or inducements. The Auditor-General's Instructions and

supporting Financial Management Procedures require staff to report any offered gift or benefit (whether accepted or refused), within 10 business days of the offer being made, in the gifts and benefits register. In limited circumstances, staff are allowed to retain the gift, after following the appropriate approval processes.

The data collected through the internal gifts and benefits register is reported to the ANAO's EBOM, and a subset of the data is reported publicly on the ANAO website to promote transparency at the [Gifts and benefits register](#) page.

Nature and extent of other services provided by ANAO audit contractors to ANAO auditees

The ANAO contracts private sector firms to undertake some audits on behalf of the Auditor-General. The contracts with these firms prohibit other services being tendered for or provided by the contractor to the auditee during the period of the audit engagement without the express agreement in writing of the ANAO.

The contracted firm can request approval from the ANAO to provide other services by providing the ANAO with an assessment that the other services are permitted under the ANAO Auditing Standards and a description of the procedures for monitoring threats to independence and conflict management. This request is required to be prepared or endorsed by the audit contractor's independence panel or independence partner and must also include the view of the auditee's Audit Committee Chair.

In the assessment of the request, the Engagement Executive for the audit considers if the proposed other services create a threat to the independence and if proposed safeguards reduce the threat to an acceptable level. The PSRG GED approves the request to tender for or provide other services if the threat to independence can be reduced to an acceptable level.

In 2019–20 the PSRG GED approved 32 requests from contracted firms to provide other services to ANAO auditees. One request to provide other services and one component of another request was not approved as the services were not consistent with ANAO Audit Manual policies and APES 110.

Contracted firms provide a representation at the end of each audit that the firm has not entered into arrangements or provided other services to the auditee without the prior approval of the ANAO and disclose to the ANAO the fees received for each approved other service provided.

Audit mandate and selection

Financial statements and performance audits must be carried out consistent with the Auditor-General's mandate under the Act. The Auditor-General is responsible for financial and performance audits of all Commonwealth entities, companies and subsidiaries, with the exception that performance audits and audits of performance measures of Government Business Entities can only be undertaken if they are requested by the JCPAA. In addition, a performance audit of a Commonwealth partner that is part of, or controlled by, a state or territory government cannot be undertaken unless it is requested by the responsible minister or the JCPAA.

The Auditor-General may also conduct audits by arrangement under section 20 of the Act. The ANAO audit methodology contains requirements for acceptance of a section 20 engagement.

The Auditor-General publishes an [annual audit work program](#) (AAWP) in July each year, which outlines the proposed audit activities to be undertaken in the financial year. The AAWP includes

potential performance audit and assurance review topics, as well as the annual program of mandated financial statements audits. Throughout the year, the Auditor-General determines which audits will commence, based on a risk assessment, identified Parliamentary priorities, and breadth and depth of coverage across the government sector. The Auditor-General also considers any recent developments in the public sector and areas of public concern, opportunities to demonstrate good practice in public administration and accountability, requests for audit, and resourcing. Approaches by parliamentarians, parliamentary committees and others with suggestions for audits are also considered by the Auditor-General for potential audit activity.

Human resources

The ANAO’s approach to recruiting, hiring, retaining, and promoting qualified personnel, and how that approach is related to audit quality and the system of quality control

The ANAO’s human resources policies and procedures aid in the selection of employees who have the necessary integrity, capability and competence to perform the work required.

The ANAO is committed to the continuing capability and competence of its staff through its performance and career development program. To further support continuing capability and competence, the ANAO provides comprehensive learning and development and talent management programs. In addition, the ANAO has developed a strategic workforce plan to ensure the future competencies required for the ANAO are met.

The degree and nature of the changes in an audit team from year to year are an input in measuring the readiness and ability of the team to perform a quality audit. Some level of attrition is expected but a comparatively high rate of turnover or auditor transfer within the office may adversely affect audit quality. The benefit of retaining an audit team's experience with a particular client needs to be carefully balanced with the benefit of adding new auditors who may provide a fresh look at audit issues.

Audit Quality Indicator:	Turnover of audit personnel (average annual turnover rate expressed in percentages)		
	Benchmark	2019–20 Results	2018–19 Results
15-20%		AASG staff: 20.2% PASG staff: 23.7%	AASG staff: 19.1% PASG staff: 18.4%

The turnover rate for each audit service group has increased since prior year and is above the benchmark target. Attrition in the audit profession, whether in public or private sector auditing, is typically high. For the ANAO, retention is a focus and the ANAO is seeking to understand the underlying factors for the increase in attrition through staff workshops and consultation. The ANAO remains focused on attracting the talented, skilled and professional people required to produce quality audits and retaining them.

The ANAO performance evaluation process and how it promotes audit quality

Performance management at the ANAO is an ongoing process of communication between employees and their direct supervisor with a view to improve organisational effectiveness and

individual performance. The ANAO's Performance and Career Development Policy and Procedures have been designed to facilitate high performance across the ANAO. This assists the ANAO achieve its business and quality objectives.

The service group plans that operationalise the strategies and priorities from the ANAO Corporate Plan inform individual performance agreements of staff. This provides a link from the corporate plan to staff performance and assists all ANAO staff to understand the importance of their work in achieving the ANAO's outcomes, including supporting high audit quality.

Supervisors also consider the results of each quality assurance review in reviewing staff performance.

The ANAO Performance Assessment cycle is from 1 November to 31 October. The performance assessment results for the year ended 31 October 2019 were:

	Substantially exceeds expectations	Exceeds expectations	Meeting expectations	Not meeting expectations
Total	22	86	131	3
Proportion of total staff	9%	36%	54%	1%

Ninety-nine per cent of ANAO staff are rated as at least meeting expectations.

ANAO training is designed to develop the appropriate proficiency in new and existing professional standards, audit methodology, and new technologies and skills

The ANAO is a learning organisation, with staff committed to continuous learning, growth and development. Mandatory training requirements facilitate and support this commitment, including annual Continuous Professional Development (CPD) and e-Learning training courses. The ANAO learning and development curriculum includes:

- internal face-to face training;
- e-Learning;
- studies assistance;
- secondments;
- mentoring; and
- external conferences and events.

The ANAO offers staff a blended curriculum of classroom training, comprising both technical and non-technical courses and a library of e-learning modules. ANAO courses have been designed and developed in consultation with the service groups and are aligned to the six core capabilities contained in the [ANAO Capability Framework](#).

PSRG provides regular technical update training sessions to AASG and in 2019–20 introduced regular technical update training sessions to PASG. Technical updates cover new auditing and accounting standard requirements, financial reporting framework developments and changes in audit policy and methodology. In 2019–20 eight technical update sessions were held for AASG staff and four technical update sessions were held for PASG staff. The first technical update session for PASG was delivered in December 2019 and was focused on audit quality. This session

outlined the ANAO Quality Assurance Framework and the lessons learnt from the internal 2018–19 quality assurance reviews. In addition to the regular technical update sessions, an additional technical update was delivered to SADA staff, focusing on the lessons learnt from internal quality assurance reviews and SADA peer reviews. The ANAO also introduced a new training session for all graduates and new starters on the ANAO Quality Assurance Framework and the ANAO Audit Manual to communicate the importance of audit quality.

In 2019–20 the ANAO delivered Evidence Collection and Analysis training developed by the Canadian Audit and Accountability Foundation (CAAF) to performance auditors. A number of ANAO senior staff were trained by the CAAF to deliver the evidence training as part of an innovative ongoing delivery model developed by the CAAF for the ANAO as part of the ACAG network.

Audit Quality Indicator:	Training hours per audit professional (average annual hours of continuing professional education by audit service group)	
	Benchmark	2019–20 Results
20 hours	AASG staff: 83 hours PASG staff: 69 hours	AASG staff: 85 hours PASG staff: 78 hours

Both service groups’ average hours per staff member met the minimum 20 hours of professional development as required by the [ANAO Audit Manual](#). Many ANAO audit staff are members of professional bodies that have higher continuing professional development requirements.

The ANAO suite of e-learning courses includes mandatory courses required to be completed on induction and courses to be completed every 12 months. The ANAO promotes the completion of mandatory e-learning courses through the induction processes for new starters which requires completion within the first four weeks of employment. The ANAO promotes the completion of annual e-learning courses for all staff through: requiring a declaration made in the ANAO annual performance agreement/reporting process; a dedicated ‘compliance week’ reminding staff to complete annual e-learning modules; and through the ANAO Learning Management System automatic enrolment function with set due dates for completion.

Completion rate of mandatory e-learning courses	
2019–20 Results	2018–19 Results
AASG staff: 87% PASG staff: 82%	Prior year data is not available for comparison.

Information on the completion of mandatory e-Learning courses is regularly reported to the EBOM and GEDs.

Procedures to monitor appropriate workload of staff

The ANAO uses resourcing and time charging tools to report and monitor the workload of each individual staff member.

ANAO polices for the allocation of engagement executives and staff to audits ensures the engagement team has the appropriate level of expertise and time to perform their role. Under these policies the workload and availability of engagement executives is monitored to ensure they have sufficient time to adequately discharge their responsibilities.

Audit Quality Indicator:	Leverage ratios and workload percentages for audit staff	
Benchmark	2019–20 Results	2018–19 Results
Staffing leverage (ratio of engagement leader hours charged to in-house financial statements audit work to lower level audit staff hours)		
0.08	0.07	0.06
Engagement Executive and manager audit workload (hours charged by audit staff who are classified as an Engagement Leader, Manager, EQCR ¹ or higher as a percentage of total hours charged to audits.		
<i>Financial audits: 27%</i>	25%	20%
<i>Performance audits: 44%</i>	39%	42%
Staff audit workload (chargeable hours per FTE professional)		
<i>Financial audit – 1,200 hours</i>	1,250 hours	1,026 hours
<i>Performance audit – 1,050 hours</i>	1,026 hours	1,159 hours

Note 1: An EQCR is an Engagement Quality Control Review Executive.

Staffing leverage:

Engagement leader is the Engagement Executive who has direct responsibility for the conduct of an audit and who is either the signing officer or who makes recommendations to the signing officer in respect of the audit opinion.

Engagement leaders are responsible for oversight of the audit and the audit team, which will include less experienced staff. Sufficient time to oversee the work of the audit staff is critical to quality. The lower the amount of senior time, the greater the risk that senior staff may not have sufficient time to supervise and review staff work and evaluate audit judgments. Less extensive supervision raises the risk of less effective audit procedures and a reduction in audit quality. In 2019–20 the ratio of engagement leader hours increased towards the benchmark set by the ANAO.

Engagement executive and manager audit workload:

Heavy workloads could prevent an engagement executive from giving adequate and focused attention to an audit engagement. This measure can provide perspective on the leverage calculation if it shows, for example, that senior personnel in fact devote large amounts of time to

an audit with high staffing leverage or relatively low amounts of time to an audit with a low staffing leverage.

In 2019–20 AQI results for the measure for both financial statements audit and performance audit are slightly lower than the target benchmark.

Staff workload:

The greater the workload, the greater the risk staff may have insufficient time to appropriately perform the necessary audit procedures and take the other steps that create a quality audit. Staff may become less effective when working long hours.

The 2019–20 staff workload results for financial statements audit staff are above the target set. The ANAO is facing budget pressures which impact the resourcing of staff across audits. To respond to resourcing pressures, the ANAO has implemented several initiatives to improve efficiency and productivity. Resourcing and the approach to allocation of resources to audits will continue to be a focus area for the ANAO to ensure that staff have sufficient capacity to undertake a quality audit, and Engagement Executives and audit managers have sufficient time to not only undertake appropriate review and supervision, but also to coach and mentor staff to improve staff capability and development.

The ANAO use of internal and external specialists and technical resources

PSRG provides internal professional services such as technical accounting and audit support, quality assurance and legal services.

The ANAO uses external subject matter and technical experts whenever an appropriate need has been identified, including:

- the engagement of audit firms to conduct financial statements audits when specialist industry knowledge is not readily available in-house;
- the engagement of auditor experts in both financial statements and performance audits as required;
- the engagement of audit firms to assist in the conduct of quality assurance reviews; and
- the purchase of audit methodology and training.

Audit Quality Indicator:	Technical accounting and auditing resources (percentage of total office expenditure allocated to technical resources)	
Benchmark	2019–20 Results	2018–19 Results
3%	3%	3%

This indicator measures the level of resources available to provide engagement teams with advice on complex, unusual, or unfamiliar issues. Technical accounting and auditing resources enable audit teams to deal with complex questions during an audit.

The ANAO expenditure on technical accounting and auditing resources is consistent with the prior year and the ACAG benchmark.

Audit performance

The ANAO establishes, maintains, communicates, and updates its audit methodology, including providing audit professionals with tools, templates, and guidance

ANAO auditors apply a robust methodology which includes the ANAO Audit Manual and standardised tools and templates to assist in the consistent application and documentation of audit procedures. Application of this methodology ensures ANAO audits are of consistent quality and are performed in accordance with the ANAO Auditing Standards.

The ANAO Audit Manual, methodology and supporting tools and templates are reviewed on an annual basis to incorporate any improvements or amendments arising from changes in the ANAO auditing standards, responses to findings from quality monitoring processes and audit staff consultation.

The ANAO audit methodology incorporates policies regarding supervision and review of team members by more senior staff, consultation on significant technical and ethical issues, engagement quality control review of high risk audits and documentation of audit evidence and work performed.

ANAO audits must comply with the relevant statutory and procedural fairness obligations. Under the Act, the ANAO is required to seek and consider written comments provided by the audited entity before preparing a final report.

The ANAO is designing and/or deploying tools and technologies to improve audit quality

The ANAO SADA group supports and improves audit evidence gathering and analysis through providing Information Technology (IT) specialists with audit capability for analysing the IT environment, IT general and application controls and system-generated reports. In 2019–20 SADA has increased the use of data analytics to improve the efficiency of audit procedures, while maintaining audit quality in financial statements and performance audits.

All performance audits that commenced in 2019–20 were documented within the ANAO's audit software (TeamMate) to improve consistency and documentation across all audit engagements, as well as to improve the visibility of reviews and approvals by engagement executives and the Auditor-General and Deputy Auditor-General.

The ANAO's consultation policy and requirement to consult in certain situations

The [ANAO Audit Manual](#) includes policies requiring consultation on difficult or contentious matters. Depending on the nature of the matter, consultation is required with either the engagement quality control review executive (EQCR), the relevant GED or with relevant specialists in PSRG.

The ANAO has a Qualifications and Technical Advisory Committee (QTAC), which provides a forum for engagement executives to consult on difficult or contentious matters and, where necessary, resolve differences of opinion on audit related matters. ANAO policy identifies the matters that must be referred to the committee, and the committee meets as required to make recommendations to the Auditor-General. In 2019–20 QTAC was consulted on 14 matters.

There is a requirement within the ANAO Audit Manual to consult with the AASG GED and PSRG when material errors or misstatements are detected that relate to prior year financial statements on which the ANAO has issued an unqualified auditor’s report. The number and impact of restatements for errors are generally considered a signal of potential difficulties in at least part of an auditor's practice and approach to auditing. This indicator places restatements in context by focusing on their magnitude and overall impact to the financial statements. The restatements are assessed for materiality at the individual engagement level. The measure includes all financial statements audits, including non-mandated audits.¹ Restatements that were below materiality or related to reclassifications or disclosures with no net impact on the financial result or position have not been included in the totals.

Audit Quality Indicator:	Number and percentage of material restatements of financial statements resulting from a prior period error	
Benchmark	2019–20 Results	2018–19 Results
Number and % of material restatements: 0	8 (2.8%) out of 287 engagements Approximately \$121.7m net impact	11 (3.9%) out of 282 engagements Approximately \$642.9m net impact

The financial statements audit cycle for 30 June year end reports is 1 October to 30 September. Therefore the 2019–20 results in the table above record the number of restatements identified in 2018–19 financial statements audits which are finalised within the 2019–20 reporting period.

The number and value of restatements of financial statements resulting from prior period errors decreased from the prior year. The largest prior period errors related to: an understatement of a gain from sale of assets; unpaid employee entitlements, primarily superannuation; and the consolidation of material subsidiaries after the auditee obtained independent technical accounting advice to prepare consolidated financial statements. The cause of material restatements is assessed by the ANAO to identify if there are indicators of deficiencies in audit processes. The causes of the material restatements reported for 2019–20 do not indicate that there were deficiencies in audit processes.

The ANAO identifies and assesses risk on an engagement basis and these risk assessments are updated for changes in circumstances over time

Engagement risk is the risk of expressing an inappropriate audit conclusion based on evidence that is not soundly based. This may include evidence that is improper or incomplete as a result of inadequacies in the evidence gathering process, misrepresentation or fraud. In performance audits, performance engagement risk is assessed in planning and throughout the conduct of a performance audit. Engagement risks are updated for changes in circumstances at key stages of review throughout the audit, including progress review points. Major changes to the risk levels or mitigation actions and new identified risks are discussed with the responsible Engagement Executive.

¹ The ANAO conducts audits by arrangement under section 20 of the Auditor-General Act.

One performance audit tabled in 2019–20 was rated as high engagement risk. In response to the high risk rating, the engagement executive has greater involvement in audit planning and execution, more regular meetings with the auditee, and review of significant matters arising during the audit. The responsible GED also has greater involvement in the audit planning and execution and review of significant matters arising in the audit.

In financial statements audits, the AASG GED determines the engagement risk rating assigned to each engagement. Engagement risk is monitored throughout the engagement. Where a change in the circumstances of a financial statements engagement causes the engagement executive to determine that the engagement risk rating requires revision, a new rating is required to be recommended to the AASG GED for approval.

In 2019–20, 10 financial statements audits were rated as high risk and an EQCR was appointed. In addition to these engagements, there was one moderate risk financial statements audit that was appointed with an EQCR.

The ANAO's EQCR policies and ANAO monitoring of compliance with such policies

An EQCR is appointed to:

- all high risk performance audits;
- all high risk mandated financial statements audits of entities that are material to the Commonwealth's Consolidated Financial Statements;
- all audits of entities determined to be Public Interest Entities; and
- any other audit at the discretion of the relevant GED, the Deputy Auditor-General or the Auditor-General.

In the case of financial statements audits of non-material entities that are assessed as high risk, the engagement executive considers the appropriate response to that risk assessment, which may result in the appointment of an EQCR.

The EQCR provides an objective evaluation of the significant judgements made by the audit team and conclusions reached in formulating the audit report.

The ANAO Quality Assurance Program reviews compliance with the EQCR policy including: an assessment of whether an EQCR was required to be appointed; if an appointed EQCR met the eligibility criteria; and if the involvement and documentation of that involvement throughout the audit was in accordance with the [ANAO Audit Manual](#) policy requirements.

Monitoring

The nature and/or extent of internal and external inspections and findings

A key element of the ANAO Quality Assurance Framework is monitoring of compliance with policies and procedures that comprise the system of quality control. The monitoring system comprises internal and external quality assurance (QA) reviews of the ANAO's audit and other assurance engagements. The system is designed to provide the Auditor-General with assurance that engagements comply with the ANAO Auditing Standards, relevant regulatory and legal requirements and ANAO policies, and that reports issued are appropriate in the circumstances. Monitoring activity is the responsibility of PSRG. PSRG report to EBOM and the ANAO Audit Committee on the results of each quality assurance review and other monitoring activities. The

ANAO Quality Committee is responsible for monitoring the ANAO’s progress in addressing the findings and recommendations arising from the monitoring programs.

Monitoring activities conducted in 2019–20 were:

- annual quality assurance reviews of completed audits (nine financial statements audits reviewed, three performance audits reviewed);
- real time quality reviews of in-process financial statements audits (four financial statements audits reviewed including one IT focused review); and
- ASIC review of the quality framework and completed audits (three financial statements audits reviewed).

In addition to the formal monitoring activities conducted as part of the ANAO annual inspection program, the Auditor-General requested the review of certain aspects of audit files.

The ANAO selects audits and other engagements in accordance with the [ANAO Audit Manual](#) QA review selection policy, which ensures sufficient coverage of all responsible Engagement Executives on a cyclical basis.

Audit Quality Indicator:	Quality assurance review coverage (percentage of Engagement Executives subject to review annually)	
	2019–20 Results	2018–19 Results
Benchmark		
Financial audit: 65%	63%	68%
Performance audit: 50%	50%	50%

In 2019–20 the coverage of Engagement Executives was in line with the policy requirements which forms the basis of the AQI benchmark². This measure covers internal quality assurance reviews, including real-time reviews, external reviews conducted by ASIC and the peer review conducted by NZ OAG, but does not include internal audit compliance reviews.

In addition to the AQI measures reported in this report, ANAO performance measure 15 reported in the [ANAO annual report 2019–20](#), relates to audit quality: “The ANAO independent quality assurance program indicates that audit conclusions are appropriate”. In 2019–20 the ANAO achieved a result of 94.7 per cent against a target of 100 per cent. The following two AQIs relate to this performance measure.

Audit Quality Indicator:	Internal quality review results - Number of audit files rated as ‘Unsatisfactory’ in the ANAO Annual Inspection Program.	
	2019–20 Results	2018–19 Results
Benchmark		
No. of engagements: 0	3	1

² The number of Engagement Executives available for selection in 2019–20 was 19, with 12 Engagement Executives selected for review. The difference between 63 per cent and 65 per cent is less than one Engagement Executive selected.

In the AASG QA review of 2018–19 financial statements audits, one in-house audit and two project-managed audits were rated as unsatisfactory due to significant findings identified in the review of the audit files. Refer to *The processes used for evaluating the severity of inspection findings* below for the ANAO rating system and definitions. In one financial statements audit reviewed, the reviewer identified a material misstatement which was not detected by the audit team and the audit conclusion was inappropriate in the circumstances. The identified issue is being considered in the context of the 2019–20 audit. Additional work is underway with the auditee to ensure appropriate remediation of the findings and presentation and disclosure in the 2019–20 year financial statements. For the three audits assessed as unsatisfactory, remediation procedures have been developed to address the significant findings. The completion of remediation procedures have been reviewed to ensure that the significant findings are addressed. The results of the above measure are not consistent with the ANAO’s expectations of high quality audits. In response to these results, the ANAO conducted a root cause analysis to identify the underlying causes of the findings and determine the most appropriate remedial actions. The ANAO has developed an action plan to address the root causes identified.

Internal quality review results – Summary of the Quality Assurance Review findings in the ANAO Annual Inspection Program		
ANAO Annual Audit Inspection Program	2019–20 Results	2018–19 Results
AASG – Completed audits	4 significant 25 moderate 59 minor	5 significant 31 moderate 48 minor
AASG – Real time review	No significant 5 moderate 6 minor	No significant 3 moderate 2 minor
PASG	No significant No moderate 6 minor	No significant 4 moderate 7 minor

A high number of findings from quality reviews, particularly when these are repetitive indicate issues with audit quality. Timely identification and appropriate remediation of issues is necessary to facilitate improvements in audit quality.

The ANAO evaluates findings identified in internal and external quality assurance reviews and determines if there are thematic or repetitive issues arising in audits. The ANAO conducts root cause analysis on thematic or repetitive issues to understand the underlying drivers of quality deficiencies and address them with targeted action plans.

Identified areas for improvement in financial statements audits included the design and execution of substantive analytical procedures and the documentation related to engagement team planning meetings; independence declarations; and subsequent events. The quality reviews of

performance audits identified minor compliance findings related to the records of internal meetings and the closure of the audit file. There were no identified findings related to audit evidence.

The processes used for evaluating the severity of inspection findings

The ANAO Quality Assurance rating system defines both individual findings ratings and an overall audit rating.

Individual findings rating definitions:

Rating	Description
A. Significant	These findings pose a high risk to the ANAO’s reputation (including its independence, objectivity, and professionalism).
B. Moderate	These findings pose a moderate risk to the ANAO’s reputation (including its independence, objectivity, and professionalism).
C. Minor	These findings pose a low risk to the ANAO’s reputation (including its independence, objectivity, and professionalism).

Following the rating of all identified findings, an overall file rating is assigned to each reviewed audit file in accordance with the following overall audit file rating definition.

Overall audit rating definition:

Rating	Description
Satisfactory	Not unsatisfactory
Unsatisfactory	As a result of a significant finding or multiple moderate findings: <ul style="list-style-type: none"> (i) An inappropriate conclusion has been issued under the circumstances; or (ii) A conclusion was issued for which there was no reasonable basis, or for which the documentation did not support the conclusion that was issued.

The processes used for determining causal effect of inspection findings (root cause analysis)

In 2019–20 the ANAO introduced root cause analysis methodology to understand more deeply any areas in our work where we have identified scope for improvement in order to identify how we can continue to improve our audit practice. By gaining a deeper understanding of the drivers of quality deficiencies identified, more targeted follow-up actions can be developed. The most significant individual findings and thematic findings from the quality assurance program are subject to the root cause analysis.

In 2019–20 the ASIC review on the ANAO Quality Assurance Framework assessed the pilot root cause analysis undertaken by the ANAO. ASIC provided the ANAO with feedback on the methodology and better practice considerations from its experience in reviewing root cause analysis methodology of audit firms. The ANAO commenced the second root cause analysis on thematic findings identified in the QA reviews of 2018–19 financial statements audit files and enhanced the methodology used by implementing the better practice considerations from ASIC.

The report to EBOM on the results of the pilot root cause analysis was tabled in July 2019 and included seven follow-up actions to address the underlying drivers of the identified deficiencies in audit quality. The seven follow-up actions have been completed in 2019–20.

The procedures the ANAO performs to assess the timeliness and effectiveness of remediation

In each report to EBOM on the results of internal and external quality assurance reviews, peer reviews and relevant internal and external audits, the ANAO develops follow-up actions to address any identified findings, recommendations or observations. The follow-up actions are assigned to responsible officers with timeframes for completion. The Quality Committee monitors the ANAO’s progress in addressing the findings and recommendations made in external or internal reviews, including assessing the prioritisation of active follow-up actions.

Following each Quality Committee meeting, the members prepare a quarterly report to EBOM which includes a summary of their activities including the monitoring the ANAO’s progress in addressing the findings and recommendations made in external or internal reviews.

Category	Opening position 1 July 2019	New follow-up action items	Resolved follow up action items	Closing position 30 June 2020
AASG	7	26	21	12
PASG	6	5	10	1
ANAO	2	2	1	3
Total	15	33	32	16

Summary of complaints and allegations

The ANAO Audit Manual sets policies and processes for the formal management of any complaints or allegations that the work performed by the ANAO does not comply with applicable standards, requirements, systems of quality control or independence policies. The policies include escalation and consultation procedures to resolve any complaints or allegations made. The policy also sets out remedial actions required if a deficiency in the design or operation of the ANAO’s quality control policies and procedures or non-compliance with the ANAO’s system of quality control by an individual or individuals are identified during the investigation into a complaint or allegation.

During 2019–20 the ANAO received a complaint regarding the conduct of the interview process carried out under paragraph 32(1)(b) of the Auditor-General Act in respect of a performance audit. The Auditor-General initiated an internal review of the process by the GED PSRG who was independent of the audit process. The conclusion of the review was that the processes to initiate, conduct and document the interview were in accordance with the Auditor-General Act and

ANAO's procedures. The review recommended that the ANAO finalise a procedures and guidance document specific to the use of section 32 powers to direct a person to attend and give evidence before the Auditor-General or an authorised official. This document is currently being finalised.

Summary of parliamentary feedback

The ANAO's primary relationship is with the Australian Parliament, particularly the JCPAA.

Audit Quality Indicator:	Results of independent surveys of Joint Committee of Public Accounts and Audit (JCPAA) members (percentage of JCPAA members who agree that the ANAO's reports and services have contributed to improved public sector accountability and transparency ¹)	
Benchmark	2019–20 Results	2018–19 Results
90%	100%	100%

Note 1: The ANAO Quality Assurance Framework and Plan 2019–20 included an AQI on the results of surveys of Audit Committee members. This has been replaced by the survey of the JCPAA to reflect that the ANAO's primary relationship is with the Australian Parliament.

The ANAO engaged an independent research firm, ORIMA Research Pty Ltd, to conduct a survey of JCPAA members in 2020. The result of 100 per cent was based on the percentage of JCPAA members who responded to the survey that agreed or strongly agreed to the following statements:

- The ANAO's reports and services have contributed to improved public sector accountability and transparency; and
- The ANAO's reports and services help improve public sector administration.

Comparative analysis of the 2019 and 2020 survey, in respect to the satisfaction ratings that the ANAO has improved public sector performance and supported accountability and transparency, indicate that the results were similar in terms of the level of agreement. In addition, JCPAA members were positive in their ratings in relation to the ANAO's role and function, particularly with regard to perceptions of the ANAO's integrity as an organisation; the ANAO's audit priorities; representation by the ANAO at public hearings; and the overall value of information it provides on public sector performance.

3. Quality Assurance Strategy and Deliverables for 2019–20

The key deliverables for 2019–20 were set out in the [ANAO Quality Assurance Framework and Plan 2019–20](#). The achievement of the strategy and deliverables are set out below:

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
Engagement performance	To ensure that the ANAO audit methodology is compliant with the ANAO auditing standards.	Annual methodology review - financial statements audits	28 February 2020	Completed 12 May 2020
		Annual methodology review - performance audits	30 April 2020	Completed 22 July 2019
		Annual audit software template updates	31 December 2019	Completed 24 October 2019 (financial statements audit), 10 March 2020 (performance audits)
		Annual communication template updates	30 June 2020	Completed in various releases throughout 2019–20
	To maintain a high level of audit quality by keeping ANAO staff and contract firms' knowledge up-to-date and fostering continuous improvement	Training on methodology and standards updates, quality findings and other relevant issues	30 June 2020	Completed throughout 2019–20 in regular technical update sessions
	To maintain a high level of audit quality by keeping	Contractor webinar on methodology	31 May 2020	Completed 20 May 2020

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
	contract firms knowledge up-to-date and fostering continuous improvement	and standards updates, quality findings and other relevant issues		
		Presentation to contract firm relationship partners on ANAO expectations for quality and results of quality inspections	30 June 2020	Completed 10 July 2020
Monitoring	To determine whether audits have been performed in accordance with the ANAO auditing standards	Annual internal review of a sample of completed financial statements audits	31 March 2020	Completed 21 May 2020
		Annual internal review of a sample of completed performance audits	31 July 2020	In progress at 30 June 2020 (completed 12 August 2020)
		Annual internal real-time review of in-process financial statements audits	31 December 2019	Completed 13 November 2019
		Annual external review by ASIC of ANAO quality framework	30 June 2020	In progress at 30 June 2020 (completed 31 August 2020)
		Annual external review by ASIC of a sample of completed financial	30 June 2020	In progress at 30 June 2020 (completed 31 August 2020)

Quality framework element	High level objectives	Brief scope of work	Target completion date	Outcome
		statements audits		
		Internal audit of compliance with selected requirements of the ANAO audit manual	30 June 2020	Completed 29 June 2020
	To identify the root cause(s) of inspection findings in order to determine most appropriate remedial actions	Root cause analysis of most significant findings and thematic findings and observations	30 June 2020	In progress at 30 June 2020 (completed 16 July 2020)
	To monitor themes arising in inspections of contract firms	Review of published results of QA reviews of firms and firm transparency reports	30 June 2020	Completed 23 June 2020