

Part 5—Financial statements

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Independent auditor's report

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

My opinion

In my opinion:

The accompanying financial statements of the Australian National Audit Office

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

What I have audited

The financial report comprises:

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

Basis for opinion

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

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

Independence

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

Responsibilities of the Auditor-General for the financial statements

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

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

Auditor's responsibilities for the audit of the financial report

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

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



Peter van Dongen
Independent Auditor

Sydney
7 August 2017

Australian National Audit Office

STATEMENT BY THE AUDITOR-GENERAL AND CHIEF FINANCE OFFICER

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

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



Signed.....

Grant Hehir
Auditor-General

7 August 2017



Signed.....

Sue Knox
Chief Finance Officer

7 August 2017

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

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

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

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

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

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

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

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

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

	Note	Retained surplus		Asset revaluation surplus			Contributed equity/capital			Total equity	
		2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance		14,902	15,303	564	564	564	564	11,586	10,585	11,586	26,452
Comprehensive income											
Surplus for the period		2,561	(401)	-	-	-	-	-	-	-	(401)
Other comprehensive income		-	-	-	-	-	-	-	-	-	-
Total comprehensive income		2,561	(401)	-	-	-	-	-	-	-	(401)
Transactions with owners											
Contributions by owners											
Equity Injection	3.1A	-	-	-	-	-	-	-	-	150	-
Departmental capital budget	3.1A	-	-	-	-	-	-	-	991	991	1,001
Total transactions with owners		-	-	-	-	-	-	-	1,141	1,141	1,001
Closing balance as at 30 June		17,463	14,902	564	564	564	564	11,512	11,586	12,727	27,052

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

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

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

	2017 \$'000	2016 \$'000	2017 Original Budget \$ '000
OPERATING ACTIVITIES			
Cash received			
Appropriations for operating activities	77,824	78,203	73,062
Rendering of services	4,725	5,058	4,000
Net GST received	3,020	3,414	-
Total cash received	85,569	86,675	77,062
Cash used			
Employees	41,979	43,292	45,775
Suppliers ²	37,013	37,228	31,287
Receipts transferred to OPA	6,937	6,137	-
Total cash used	85,929	86,657	77,062
Net cash from operating activities	(360)	18	-
INVESTING ACTIVITIES			
Cash used			
Purchase of leasehold improvements	-	14	1,141
Purchase of plant and equipment	333	495	-
Purchase of intangibles ²	685	451	-
Total cash used	1,018	960	1,141
Net cash used by investing activities	(1,018)	(960)	(1,141)
FINANCING ACTIVITIES			
Cash received			
Contributed equity	1,141	959	1,141
Total cash received	1,141	959	1,141
Net cash from financing activities	1,141	959	1,141
Net increase in cash held	(237)	17	-
Cash and cash equivalents at the beginning of the reporting period	681	664	664
Cash and cash equivalents at the end of the reporting period¹	444	681	664

¹ As shown in the Statement of Financial Position.

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

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

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

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

	Notes	2017 \$'000	2016 \$'000	2017 Original Budget \$'000
INCOME				
Non-taxation revenue				
Rendering of audit services		12,822	11,692	12,300
Total income administered on behalf of Government¹		12,822	11,692	12,300

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

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

Administered Schedule of Assets and Liabilities

as at 30 June 2017

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

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

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

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

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

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

Administered Cash Flow Statement
for the year ended 30 June 2017

	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES		
Cash received		
Rendering of audit services	14,026	13,217
Total cash received	14,026	13,217
Cash used		
Net GST paid	1,269	1,198
Total cash used	1,269	1,198
Net cash flows from operating activities	12,757	12,019
Net increase in cash held	12,757	12,019
Cash and cash equivalents at the beginning of the reporting period	371	103
Cash to Official Public Account for:		
- Appropriations	12,537	11,751
Cash and cash equivalents at the end of the reporting period¹	591	371

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

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

Australian National Audit Office

Overview

Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

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

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

Significant Accounting Judgements and Estimates

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

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

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

Taxation

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

Reporting of Administered Activities

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

Accounting policy — administered financial instruments

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

New Australian Accounting Standards

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

Australian National Audit Office

Overview (continued)

Events After the Reporting Period

Departmental

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

Administered

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

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

Note 1: Budget Variances

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

Explanations of major variances are as follows:

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

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

Note 1: Budget Variances (continued)

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

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

Note 2: People and Relationships

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

Note 2.1: Employee Benefits and Provisions

Note 2.1A: Employee Benefits

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

Note 2.1B: Employee Provisions

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

Accounting Policy

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

Leave:

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

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

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

Superannuation:

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

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

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

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

Note 2.2: Key Management Personnel Remuneration

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

The following tables are prepared on an accruals basis.

	2017	2016
	\$	\$
Short-term employee benefits:		
Salary	2,270,097	2,251,550
Performance bonuses	44,885	12,840
Total short-term employee benefits	2,314,982	2,264,390
Post-employment benefits:		
Superannuation	379,031	397,278
Total post-employment benefits	379,031	397,278
Other long-term benefits:		
Annual leave accrued	185,720	202,521
Long-service leave	56,817	58,370
Total other long-term benefits	242,537	260,891
Total key management personnel remuneration¹	2,936,550	2,922,559

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

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

Notes:

- a. The remuneration totals (on a pro rata basis) for key management personnel include those staff who ceased in those roles as well as their replacements.
- 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 2.2: Key Management Personnel Remuneration (continued)

Members of the Executive Board of Management were as follows:

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

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

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

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

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

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

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

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

Notes

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

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

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

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

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

Notes

- This table reports staff:
 - who were employed by the ANAO during the reporting period;
 - whose reportable remuneration was \$200,000 or more for the reporting period; and
 - were not required to be disclosed in Note 2.3.

Each row is an averaged figure based on headcount for individuals in the band. This table is prepared on a cash basis.
- 'Reportable salary' includes the following:
 - gross payments (less any bonuses paid, which are separated out and disclosed in the 'bonus paid' column);
 - reportable fringe benefits (at the net amount prior to 'grossing up' for tax purposes);
 - reportable employer superannuation contributions; and
 - exempt foreign employment income.
- The 'contributed superannuation' amount is the average cost to the ANAO for the provision of superannuation benefits to other highly paid staff in that reportable remuneration band during the reporting period.
- 'Reportable allowances' are the average actual allowances paid as per the 'total allowances' line on individuals' payment summaries.
- 'Bonus paid' represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the ANAO during the financial year.

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

Note 2.5: Related Party Disclosures

Related party relationships:

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

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

Transactions with related parties:

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

Significant transactions with related parties can also include:

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

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

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

Note 3: Funding

This section identifies the ANAO's funding structure.

Note 3.1: Appropriations

Note 3.1A: Annual Appropriations (Recoverable GST exclusive)

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

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

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

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

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

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

Note 3.1C: Special Appropriations (Recoverable GST exclusive)

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

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

Note 3.2: Special Accounts

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

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

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

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

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

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

4.1 Expenses

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

Accounting policy

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

Leasing Commitments

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

- *Lease for office accommodation*

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

- *Lease for data centre facilities*

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

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

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

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

4.2 Own-source Income

Note 4.2A Accounting policy

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

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

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

4.3 Revenue from Government

Note 4.3A: Accounting policy

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

Appropriations receivable are recognised at their nominal amounts.

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

Note 5: Financial Position *This section analyses the ANAO's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.*

Note 5.1: Financial Assets

Note 5.1A Cash and Cash Equivalents

Accounting policy

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

Note 5.1B: Trade and Other Receivables

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

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

Accounting policy

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

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

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

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

Note 5.1C: Work-in-progress

Accounting policy

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

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

Note 5.2: Non-Financial Assets

Note 5.2A: Property, Plant and Equipment and Intangibles

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

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

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

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

Accounting Policy — Property, plant and equipment

Acquisition of Assets:

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

Revaluations:

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

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

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

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

Depreciation:

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

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

Fair Value:

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

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

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

Accounting policy — intangibles

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

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

Note 5.3: Liabilities

Note 5.3A: Suppliers

Accounting policy

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

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

Note 6 Other Information

Note 6.1: Remuneration of Auditors		
	2017	2016
	\$	\$
Fees for services provided		
Financial statement audit services	87,600	87,600
Performance audit services	109,091	38,998
Total	196,691	126,598

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

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