

The Auditor-General
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Assurance Review

Advances to the Finance Minister for the Period 29 August 2020 to 25 September 2020

Department of Finance

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Canberra ACT
15 October 2020

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent assurance review in the Department of Finance titled *Advances to the Finance Minister for the Period 29 August 2020 to 25 September 2020*. The review was conducted in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this review to the Parliament.

An assurance review may be initiated on the basis of information obtained in the course of performing an Auditor-General function or in response to requests from stakeholders, including parliamentarians, parliamentary committees or a resolution agreed to by the Senate.

Following its presentation and receipt, the report will be placed on the Australian National Audit Office's website — <http://www.anao.gov.au>.

Yours sincerely



Grant Hehir
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office (ANAO). The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits, financial statement audits and assurance reviews of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Australian Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

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Assurance review — section 19A of the Auditor-General Act 1997

INDEPENDENT ASSURANCE REPORT

ADVANCES TO THE FINANCE MINISTER 29 AUGUST 2020 TO 25 September 2020

Conclusion

Based on the procedures I have performed and the evidence I have obtained, nothing has come to my attention that causes me to believe that, in all material respects:

- (a) there were any Advance to the Finance Minister (AFM) Determinations made for the period 29 August 2020 to 25 September 2020; and
- (b) the internal controls related to the Department of Finance's administration of AFM were not suitably designed, implemented and operating effectively to achieve appropriate approval, recording and reporting of the AFM during the period.

My limited assurance conclusion has been formed on the basis of the matters outlined in this report.

I have undertaken a limited assurance review of the Department of Finance's reporting and administration of AFM, in order to express a conclusion on Determinations made, if any, and the internal controls related to the administration of AFM from 29 August 2020 to 25 September 2020, based on the following criteria:

- Have accounts and records been appropriately obtained and maintained to support the complete and accurate reporting of AFM, taking into consideration whether:
 - the Department of Finance has a central register of all applications and approvals;
 - all decisions for the AFM have been documented appropriately, including identifying the appropriation act under which the advance is made;
 - all accounts and records for the application for the AFM has been adequately maintained; and
 - the Department of Finance has effective processes in place to obtain assurance from entities over the completeness and accuracy of the information provided to the Department of Finance.
- Are the controls related to the Department of Finance's administration of AFM suitably designed, implemented and operating effectively to achieve appropriate approval, recording and reporting of AFM during the period taking into consideration whether:
 - the Department of Finance has guidance or a framework that communicates clearly to entities as to the requirements to apply for AFM, and whether this was complete, accurate, and compliant with the criteria set out in the Annual Appropriation Acts;
 - the Department of Finance has an appropriate risk framework for the AFM; and
 - existing controls are capable of addressing the identified risks effectively.

Basis for conclusion

I have conducted the review in accordance with the ANAO Auditing Standards, which include the relevant Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000) and ASAE 3150 *Assurance Engagements on Controls* (ASAE 3150).

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

Responsibilities of the Secretary of the Department of Finance

The Secretary of the Department of Finance is responsible for the administration of the AFM, and the maintenance of supporting accounts and records relevant to the reporting of the AFM in accordance with Supply Acts Nos. 1 and 2 2020–2021.

The Secretary is also responsible for such internal control procedures as the Secretary determines necessary to enable the administration of the AFM that is free from material misstatement, whether due to fraud or error.

Independence and quality control

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and applied 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* in undertaking this assurance review.

Responsibilities of the Auditor-General

My responsibility is to express a limited assurance conclusion on whether the Finance Minister's and the Department of Finance's reporting of the AFM is complete and accurate, in all material respects, and internal controls related to the AFM were designed, implemented and operating effectively for the period from 29 August 2020 to 25 September 2020, as evaluated against the criteria. The ANAO Auditing Standards require that I plan and perform my procedures to obtain limited assurance about whether anything has come to my attention that the Department of Finance's reporting of the AFM is not complete and accurate, in all material respects, and internal controls related to the AFM were not designed, implemented and operating effectively for the period from 29 August 2020 to 25 September 2020.

An assurance engagement to report on the design and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of controls to achieve the control objectives and the operating effectiveness of controls throughout the period.

The procedures performed in a limited assurance review vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance review is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the reporting of the AFM or on the internal controls.

I have conducted my limited assurance review by making such enquiries and performing such procedures I considered reasonable in the circumstances, including:

- making enquiries of management and others within the entity, as appropriate;
- examining the internal control design specifications and documentation;
- examining documentation that indicate if there was any AFM; and
- evaluating the evidence obtained.

The procedures selected depend on my judgement, including the assessment of the risks that the reporting of the AFM is not complete and accurate or the controls are not suitably designed, implemented or operating effectively.

Inherent limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that, even if the controls are suitably designed and operating effectively, the control objectives may not be achieved so that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the internal control structure, within which the controls that I have assured are designed to operate, has not been assured and no opinion is expressed as to its design or operating effectiveness.

A limited assurance engagement throughout the specified period on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. A limited assurance engagement throughout the specified period does not provide assurance on whether complete and accurate reporting of the AFM or the outcome of the evaluation of controls will continue in the future.

Australian National Audit Office



Grant Hehir
Auditor-General
Canberra
7 October 2020

Appendix A

What this report is about

1. This report is the sixth monthly review of the Advance to the Finance Minister (AFM) covering the period from 29 August 2020 to 25 September 2020.
2. The objective of these reviews is to provide Parliament with timely assurance on the AFM made under the Government's stimulus package response to COVID-19 of \$42.975 billion. The first three monthly limited assurance reviews of the AFM¹ relating to the 2019–20 financial year were tabled in Parliament for the seven Determinations totalling \$1.974 billion issued during that period. The fourth and fifth monthly limited assurance reviews of the AFM² relate to the 2020–21 financial year.

Background

3. The AFM is a provision in the annual Appropriation Acts which enables the Minister for Finance (Finance Minister) to provide additional urgently needed appropriation to entities for expenditure in the current year. The Finance Minister may only agree to issue an AFM if satisfied that there is an urgent need for expenditure that is either not provided for or has been insufficiently provided for in the existing appropriations of the entity. The Finance Minister provides the additional appropriation by means of a Determination. Before issuing a determination to increase an entity's appropriation item, the Finance Minister must be satisfied that the legislative criteria set out in the annual Appropriation Acts are met.
4. Entities may have urgent need for expenditure because forecasts of future expenditure may be based on assumptions that prove to be wrong, assessments of future economic conditions that do not eventuate or circumstances that are unanticipated. It is therefore an established practice to build into estimates of future expenditure some flexibility to account for contingencies. The AFM is a long-standing feature of the Appropriation Bills dating from 1979 when the AFM replaced the Advance to the Treasurer following the establishment in 1976 of the office of the Finance Minister. Typically, the Advance is established in the first Appropriation Acts each year and then replenished whenever supplementary Appropriation Acts are passed.

Accountability for Advances to the Finance Minister

5. Entities are required to report AFM spending fortnightly to the Department of Finance. Entities also need to advise how they intend to manage any underspend. To ensure transparency, AFM determinations are:

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- 1 *Auditor-General Report No. 36 2019–20*, available from <https://www.anao.gov.au/work/assurance-review/advances-to-the-finance-minister-for-the-period-1-july-2019-to-24-april-2020>
Auditor-General Report No. 40 2019–20, available from <https://www.anao.gov.au/work/assurance-review/advances-to-the-finance-minister-the-period-25-april-2020-to-29-may-2020>
Auditor-General Report No. 1 2020–21, available from <https://www.anao.gov.au/work/assurance-review/advances-to-the-finance-minister-the-period-30-may-2020-to-26-june-2020>
 - 2 *Auditor-General Report No. 3 2020–21*, available from <https://www.anao.gov.au/work/assurance-review/advances-to-the-finance-minister-the-period-27-june-2020-to-31-july-2020>
Auditor-General Report No. 7 2020–21, available from <https://www.anao.gov.au/work/assurance-review/advances-to-the-finance-minister-for-the-period-1-august-2020-to-28-august-2020>

- registered on the Federal Register of Legislation (FRL);
 - tabled in Parliament at the next available opportunity; and
 - listed on the Department of Finance’s website with a link provided to it on the FRL.
6. At the end of the financial year, the Department of Finance prepares an AFM annual report, which is subject to review by the Australian National Audit Office, detailing all Determinations that have been issued in that financial year. The report is tabled in the Parliament and is made available on the Department of Finance’s website.

Overview

7. This report analyses the AFM Determinations issued totalling \$480.08 million to 25 September 2020 out of the available \$39.9085 billion for the financial year 2020–21.
8. Table 1 below contains a summary of the Determinations issued during the period 27 June 2020 to 25 September 2020.

Table 1: Determinations issued in the 2020–21 Financial Year as at 25 September 2020

AFM Determination No.	Dates	Source of AFM	Entity	Purposes	Advance provided (\$'000)
1	3 July 2020	<i>Supply Act No. 2 2020–2021</i>	Department of Infrastructure, Transport, Regional Development and Communications	To fund the Local Roads and Community Infrastructure Program and provide funding to local governments for the delivery of road resilience and community infrastructure projects.	250,000
2	24 August 2020	<i>Supply Act No. 1 2020–2021</i>	Australian Trade and Investment Commission	To fund Stage Two of the International Freight Assistance Mechanism and extend the program to 31 December 2020. The International Freight Assistance Mechanism supports exporters of premium and perishable agricultural produce by underwriting domestic and international airfreight connectivity.	230,080
Nil	29 Aug 2020 to 25 Sept 2020			There was no AFM Determination issued.	–
Total					480,080

Source: Advance to the Finance Minister Determination (No. 1 of 2020-2021), available from <https://www.legislation.gov.au/Details/F2020L00875>
Advance to the Finance Minister Determination (No. 2 of 2020-2021), available from: <https://www.legislation.gov.au/Details/F2020L01057>

Review criteria and findings

9. To form a conclusion against the review objective, the ANAO adopted the following high level criteria:

- Have accounts and records been appropriately obtained and maintained to support the complete and accurate reporting of AFM?
- Are the controls related to the Department of Finance's administration of Advances to the Finance Minister suitably designed, implemented and operating effectively to achieve appropriate approval, recording and reporting of AFM?

Accounts and records

10. The Department of Finance has a central register of all applications and approvals for each Determination. The register maintains accounts and records which includes documentation of all decisions made for a Determination. Nothing has come to my attention that causes me to believe that the Department of Finance does not have processes in place to obtain assurance over the completeness and accuracy of the information provided from entities.

Controls over AFM administration

11. The Department of Finance provided guidance to entities through the Estimates Memorandum 2019/34 which advises entities of the application and management requirement for a Determination to be compliant with the criteria set out in the Appropriation Acts. The Department of Finance has a risk framework for the management of the AFM process through existing controls. Nothing has come to my attention that causes me to believe that the Department of Finance has not implemented controls over the approval process to ensure that applications for the AFM have only been approved when applying entities have provided sufficient information to support their compliance with the criteria set out in the Appropriation Acts. From enquires made, nothing has come to my attention that the Department of Finance has not suitably designed and implemented controls relating to the AFM's administration processes and that these controls were not operating effectively to achieve appropriate approval, recording and reporting of AFM during the period.

Finding

12. The Estimates Memorandum 2019/34 advises entities of the application and management requirements for an AFM. The arrangements require entities to provide fortnightly reporting, amongst others, to the Department of Finance on spending against the AFM and details of how the entity intends to manage any underspend. Entities must also ensure that any AFM amount is included in the next available Appropriation Bills.

13. The current process to consolidate relevant entities' fortnightly reporting is through recording the information in an Excel spreadsheet. This process could be formalised to ensure the Department of Finance continues to maintain effective oversight on how entities report their management of AFM Determinations in the current environment of rapid response service delivery. My conclusion is not modified in respect of this matter.