



Australian Government  
Department of Finance



# Audit Committee Chair's Forum

Hosted by Department of Finance and  
the Australian National Audit Office

3 July 2020



Australian Government

Department of Finance



# Welcome

**Tracey Carroll**

First Assistant Secretary

Financial Analysis, Reporting and Management Division

Department of Finance



# Deputy Auditor-General's update

**Rona Mellor**  
Deputy Auditor-General  
Australian National Audit Office



# Deputy Auditor-General's update



COVID – response and impacts

AAWP for 2020-21 – Status and Focus

Parliamentary update – JCPAA and Submissions

New building



**Australian Government**  
**Department of Finance**

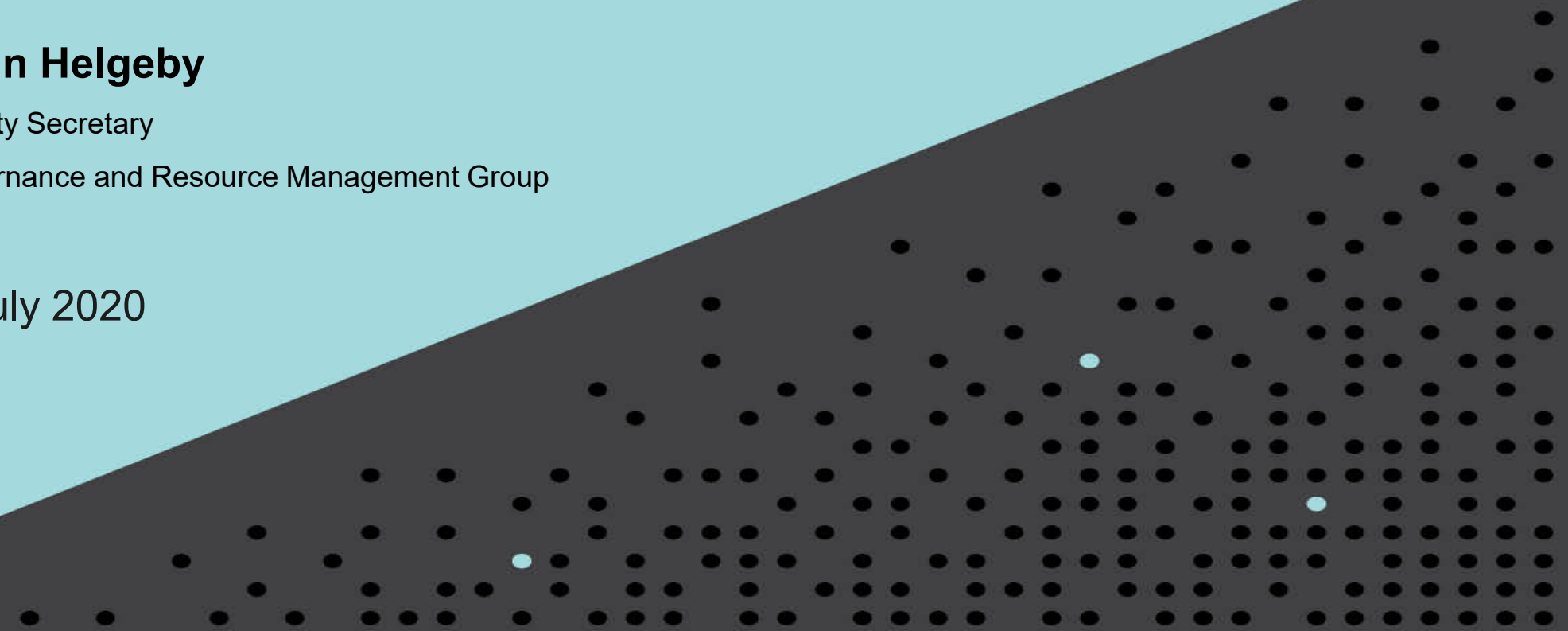
# Audit Committee Chairs Forum

**Stein Helgeby**

Deputy Secretary

Governance and Resource Management Group

3 July 2020





# Audit Insights – Fraud Control Arrangements

**Michelle Page**  
Executive Director  
Performance Audit Services Group  
Australian National Audit Office



# Summary



- Key messages from a series of performance audits which examined the effectiveness of fraud control arrangements in three Australian Government departments.
- The audits examined:
  - compliance with the mandatory requirements of the 2017 Commonwealth Fraud Control Framework
  - application of the government's better practice fraud guidance
  - steps taken by the entities to promote a fraud aware culture.
- The key messages may be relevant for the operations of other Commonwealth entities, as fraud control is a key responsibility in Australian Government administration



# Audit Insights – Fraud control arrangements



- The ANAO audit program includes topics that examine the implementation of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule)
- The Commonwealth Fraud Control Framework 2017 (the Framework) outlines the Australian Government's requirements for fraud control





# Audit Insights – Fraud control arrangements



The Framework consists of three tiered documents:

- the Fraud Rule — section 10 of the PGPA Rule 2014 sets out the key requirements of fraud control;
- the Commonwealth Fraud Control Policy — sets out procedural requirements for specific areas of fraud control such as investigations and reporting; and
- the Fraud Guidance—*Resource Management Guide No. 201 — Preventing, detecting and dealing with fraud* (August 2017) is a better practice document setting out the Australian Government’s expectations in detail for fraud control arrangements within all Commonwealth entities



# Audit Insights – Fraud control arrangements



- The Framework provides for Commonwealth entities to manage their fraud risks in a way which best suits the individual circumstances of the entity, in the context of a requirement that the accountable authority of a Commonwealth entity must take all reasonable measures to prevent, detect and deal with fraud relating to the entity.
- The Attorney-General's Department is responsible for administering the Framework



# Fraud control arrangements – performance audits



Auditor-General Report No. 42 2019-20

*Fraud Control Arrangements in the Department of Foreign Affairs and Trade*

Presented for tabling 19 June 2020

Auditor-General Report No. 43 2019-20

*Fraud Control Arrangements in the Department of Home Affairs*

Presented for tabling 22 June 2020

Auditor-General Report No. 44 2019-20

*Fraud Control Arrangements in the Department of Social Services*

Presented for tabling 23 June 2020



# Audit observations



## Conclusions:

- fraud control arrangements in the Department of Home Affairs (Home Affairs) were effective
- arrangements in the Department of Social Services (DSS) and the Department of Foreign Affairs and Trade (DFAT) were largely effective
- the relatively small number of recommendations, largely directed to DSS and DFAT, indicates a high level of compliance with the key requirements of the Framework



# Audit observations



- Each of the audited entities met the **mandatory requirements** of the Framework regarding:
  - risk assessments;
  - fraud control plan;
  - prevent, detect and investigate fraud;
  - recording and reporting incidents of fraud or suspected fraud; and
  - procedural requirements set out in the fraud policy
- fraud control arrangements in Home Affairs were consistent with the whole of government **better practice fraud guidance** and internal requirements, and largely consistent in DSS and DFAT.
- the accountable authority has taken steps to promote a **fraud aware culture**



# Audit insights – implementing effective fraud control



- Each of the three tiers of the Framework has a different emphasis:
  - The fraud rule is the minimum standard for managing the risk and incidents of fraud;
  - the fraud policy sets out procedural requirements for specific areas of fraud control, concentrated towards procedural requirements for fraud investigations; and
  - the fraud guidance is a better practice document that aims to assist accountable authorities to meet their obligations under the PGPA Act, fraud rule and fraud policy



# Audit insights – implementing effective fraud control



- The focus areas are:
  - **Risk assessment** — Review fraud risks and conduct assessments regularly
  - **Planning** — Plan both strategically and operationally
  - **Prevention, awareness and training** — Build fraud awareness and expertise
  - **Third party arrangements** — Oversee third party arrangements
  - **Detection** — Look for fraud
  - **Investigation** — Establish comprehensive procedures to support investigations
  - **Quality assurance and review** — Develop the capacity to measure and evaluate performance
  - **Reporting** — Ensure key personnel obtain the information and assurance they require
  - **Culture** — Promote a fraud aware culture



# 1. Review fraud risks and conduct assessments regularly



Fraud risk assessments are an important first step in fraud control, as they allow the entity to understand how vulnerable it is to fraud and what business areas or programs are most susceptible

## ***Audit example***

- The Department of Home Affairs has drawn from a variety of internal documentation to identify and prioritise business areas requiring fraud risk assessments.
- A fraud risk schedule is used to prioritise fraud risk assessments of its business areas.
- The department has guidance to assist its fraud control section to conduct fraud risk assessment workshops with the business area.
- During the workshop fraud risks are identified, analysed and evaluated.
- Fraud risk treatments are then determined, if required, to reduce the likelihood and/or consequence of the risk occurring (paragraphs 2.20 to 2.22)





## 2. Plan both strategically and operationally



- Strategic: communicate a commitment to combatting fraud and to provide enterprise-level information on the entity's approach to fraud control.
- Operational: address the risks identified in fraud risk assessments and to assist staff to identify and manage fraud risk in their day-to-day work.

### ***Audit examples***

- Social Services' fraud control framework comprises a fraud control plan which sets out the department's strategic approach to fraud control and an operational annual work program that sets out key actions to be taken by the department during the year (paragraph 2.13).
- Home Affairs maintains a comprehensive fraud risk register, documenting each fraud risk identified from fraud risk assessments, with each fraud risk having a staff member (identifiable by position) allocated as the fraud risk owner. The decision of the fraud risk owner to either accept the fraud risk or undertake further treatment to reduce the fraud risk is also documented in the risk register. The treatment owner, the implementation date and review date are also updated regularly (paragraphs 2.28; 2.30; 2.38–2.39).



### 3. Build fraud awareness and expertise



- awareness of what constitutes fraud and the need to prevent and detect fraud as part of their normal responsibilities
- skilled fraud control officials who can provide specialist advice and expertise

#### *Audit example*

- In addition to providing online and face to face training to all staff, the Department of Home Affairs provides a suite of guidance material and advice for staff, including case studies and videos.
- This additional supporting material helps staff connect the information provided during training to situations that may arise in their day to day work.
- The department also has arrangements to monitor staff compliance with mandatory training, including a requirement for direct line managers to monitor compliance on a monthly basis.
- Staff non-compliance is escalated to the executive via an executive dashboard (paragraphs 4.18 to 4.21).



## 4. Oversee third party arrangements



A Commonwealth entity retains its fraud control responsibilities when entering into an arrangement for services to be delivered by a third party

### *Audit example*

- DFAT requires funding recipients (third parties) to prevent, detect and correct fraud in accordance with contract obligations.
- department conducts due diligence checks and confirms that the funding recipient has fraud control arrangements in place prior to commencing funding.
- Funding recipients must report any suspected fraud or incidents of fraud to the department within five business days, and investigate the matter in accordance with the Australian Government Investigations Standards 2011.
- the department provides guidance, written procedures and training to third party providers.
- procedures and a case management system for monitoring, and reports regularly to its executive and audit committee (paragraphs 3.16 to 3.18).



## 5. Look for fraud



Data analytics is emerging as the most common fraud detection method. Data analytics can assist an entity to identify patterns, anomalies and exceptions that could indicate fraud.

### ***Audit example***

- In addition to providing a process for staff and the public to report suspected fraud, the Department of Social Services uses **data analytics** as a detective control. The department has operationalised machine learning models to detect fraud in high risk programs, and has also undertaken random sampling activities to detect patterns, anomalies and exceptions in records and transactions that are then subject to further investigation (paragraph 3.13).



## 6. Establish comprehensive procedures to support investigations



Having clear documented procedures can assist entities to apply a consistent approach and gather the necessary information to support successful investigation outcomes.

### ***Audit examples***

- The Department of Home Affairs procedures for investigations of suspected fraud are consistent with the Australian Government Investigations Standards 2011. The department's procedures provide clear guidance to assist staff to assess and prioritise cases and to document and report on outcomes. (link to: Auditor-General Report No. 43 of 2019–20 *Fraud control arrangements in the Department of Home Affairs* paragraphs 3.18 to 3.22).



## 7. Develop the capacity to measure and evaluate performance



- All entities are expected to review fraud control arrangements and provide quality assurance over their fraud investigations
- Establishing **metrics** to evaluate performance will assist entities to assess whether the actions they are taking are improving fraud prevention, detection and responses

### ***Audit example***

- The Department of Social Service's fraud control plan contains 'measures of success' intended to assist the department to monitor and review its fraud control arrangements (paragraph 2.18)



## 8. Ensure key personnel obtain the information and assurance they require



The PGPA Act establishes a duty that the accountable authority keep the Minister informed of the activities of the entity

### ***Audit examples***

- DFAT: annual fraud control report to the responsible Minister, containing all of the suggested content detailed in the fraud guidance, including fraud initiatives planned and undertaken, information about significant fraud risks, and significant fraud incidents which occurred during the reporting period (paragraph 4.31).
- Home Affairs: produces a quarterly Fraud in Home Affairs report for the audit committee and enterprise operations committee. This report includes details of fraud instances and related analysis, details on all fraud and corruption activities within the department during the quarter, and staff completion rates for compulsory fraud awareness training (paragraphs 2.23 and 4.21).



## 9. Promote a fraud aware culture



### ***Audit examples***

In each of the audited entities, the accountable authority has taken steps to promote a fraud aware culture:

- Clear expectations
- Accountable authority messaging to staff
- Making fraud awareness information easily available for staff to access
- Departmental activities
- Governance arrangements structured to support a fraud aware culture





# Questions



Audit available at: <https://www.anao.gov.au/>

Questions?



# Interim Report on Key Financial Controls of Major Entities (2019-20 Financial Year)

**Carla Jago**  
Group Executive Director  
Assurance Audit Services Group  
Australian National Audit Office



# Impact of COVID-19



The ANAO's audit work and associated findings summarised in the interim report refer predominantly to the pre-COVID-19 period.

The ANAO is revising its risk assessments for each entity and modifying planned audit procedures in response to any heightened or new risks identified.

Some key areas include:

- changes to how systems of internal control operate
- reprioritising staff and resources to operational areas delivering the Government's response to COVID-19
- significant new areas of estimation uncertainty
- ability to operate as a going concern
- challenges to the ability of the ANAO to comply with requirements of the auditing standards. The ANAO Auditing Standards require audit opinions to be modified where we can't get sufficient appropriate audit evidence.



# Impact of COVID-19



Audit committees should encourage entities to consider:

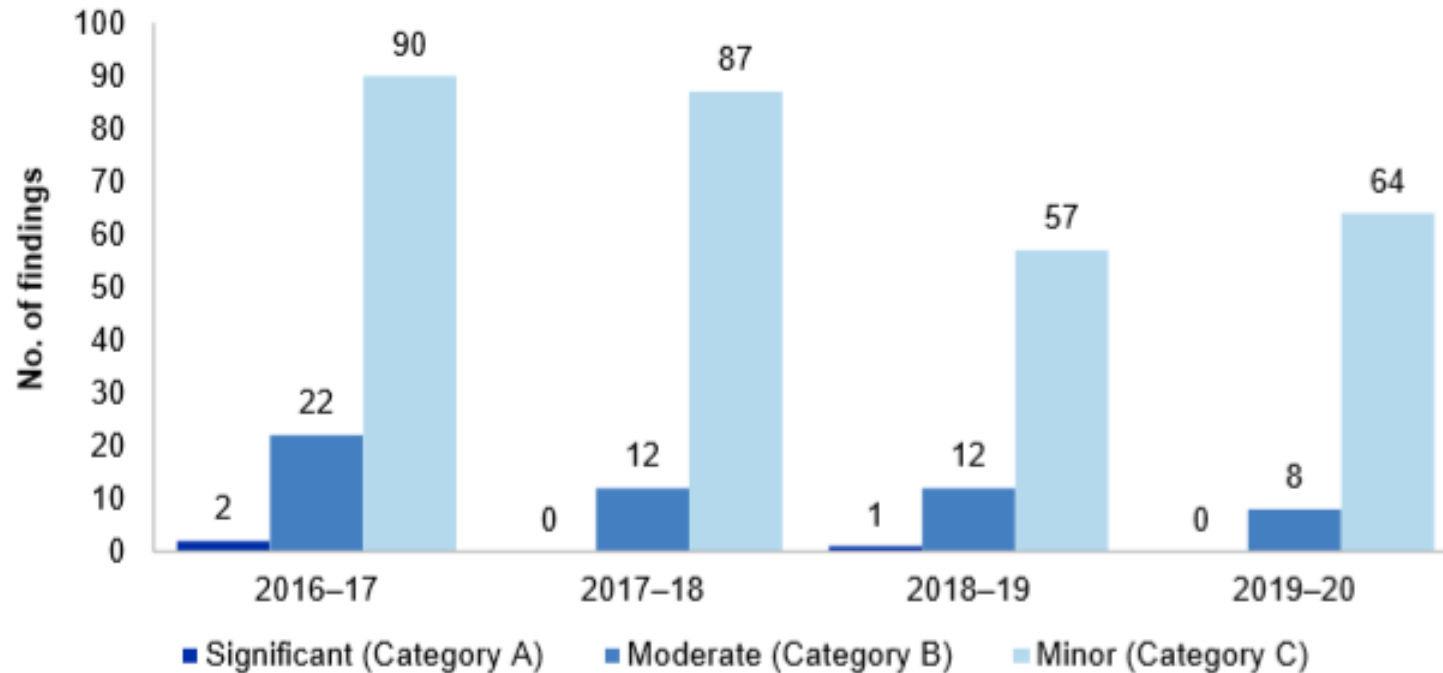
- making an early assessment of the initial and ongoing impact of COVID-19, including undertaking a going concern assessment
- horizon scanning and implementing latest advice from the Department of Finance, standard setters and peak bodies
- disclosures – do them early with audit committee and audit team review
- seeking alternative approaches for gaining assurance where key controls are no longer possible



# Aggregate audit findings for last four years

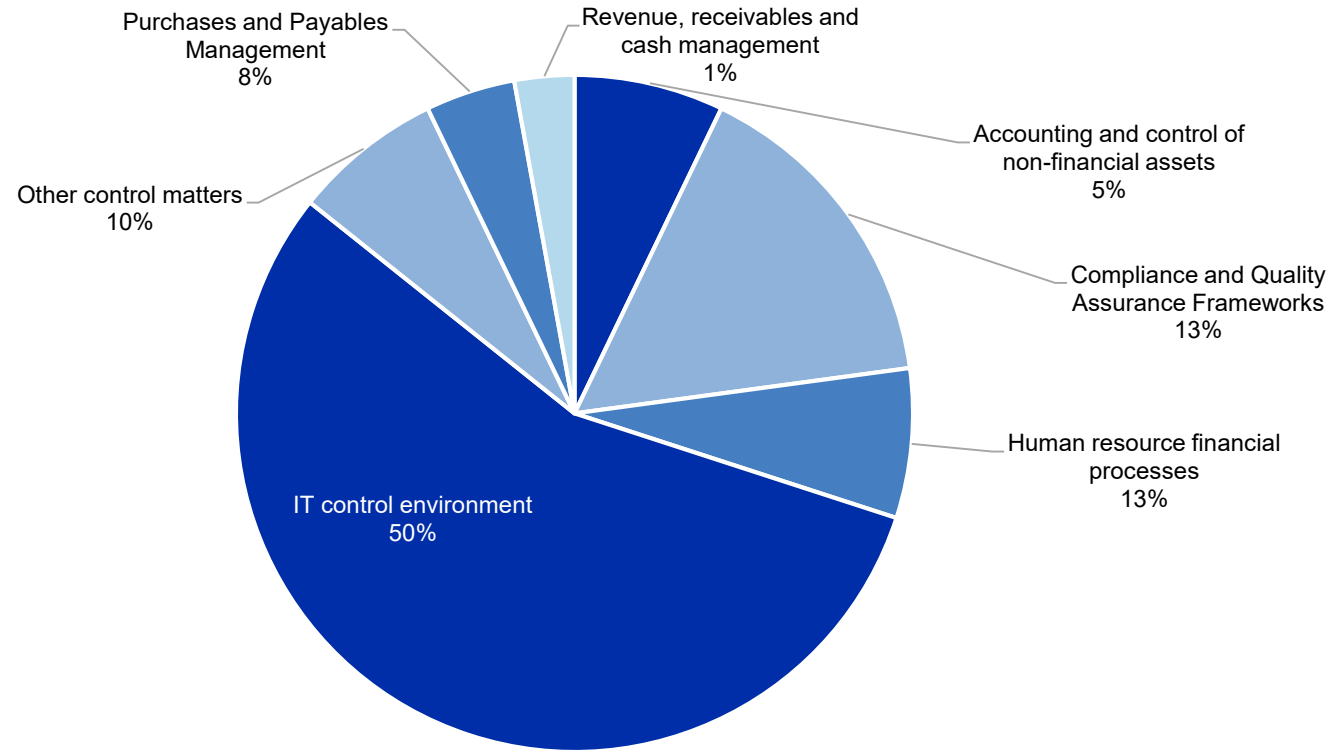


## Trend in aggregate interim audit findings 2016-17 to 2019-20





# 2019–20 interim audit findings – by category



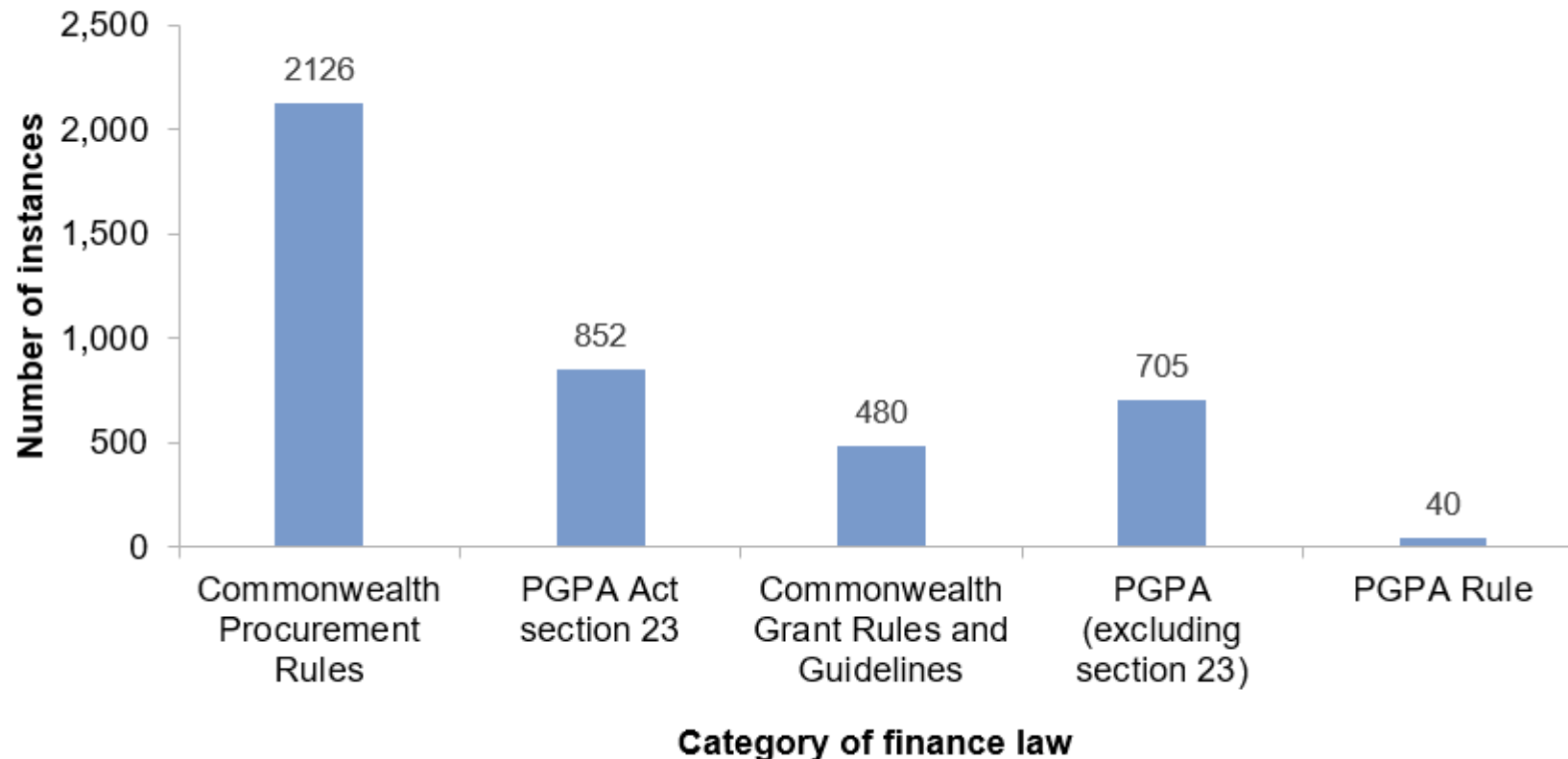
Source: ANAO compilation of interim findings.



# Non-compliance identified during 2018-19 by entities



Reported incidences of non-compliance 2018–19



Source: ANAO analysis of data provided by entities.



# Gifts and Benefits



## Implementation of Public Reporting of Gifts and Benefits Received by Agency Heads

APSC Guidance recommendations	Implemented	Not implemented
Establish a gifts and benefits register	24	0
Record all gifts and benefits received by the agency head over \$100	23	1 <sup>a</sup>
Publish all gifts and benefits received by agency heads valued at or more than \$100 on the entity's website as at 31 January 2020.	20	4
Publish all gifts and benefits received by agency heads valued at or more than \$100 on the entity's website as at 31 March 2020.	19	5

Source: ANAO analysis.

Note a NBN Co as a Commonwealth company is strongly encouraged though not required to comply with the policy released by the Commissioner. NBN Co has not published a gifts and benefits register for the agency head and has set a minimum reporting threshold of \$200.

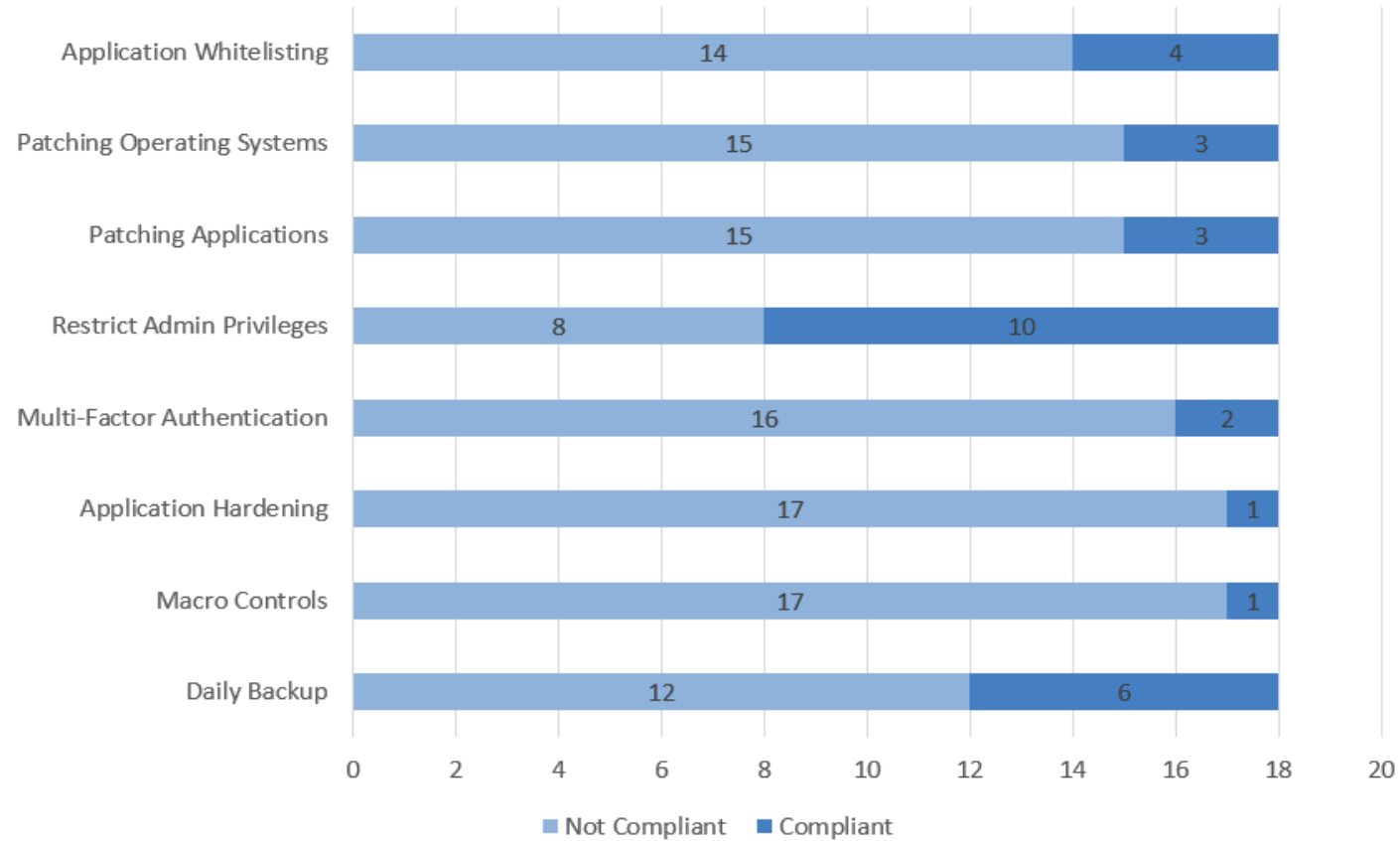




# Compliance with PSPF Policy 10 Requirements



Compliance with the PSPF Policy 10 Requirements





# Management of Staff Leave



- FS audits have identified issues in this area over a number of years
- Three financial statements audits were selected for further assessment of compliance:
  - Departments of: Home Affairs; the Prime Minister and Cabinet; and the Treasury.
- To date this has identified weaknesses in processes relating to staff leave and associated monitoring controls.
- How to improve?
  - timeliness of submission and approval; and
  - consistent application of requirements
- Further reporting to come later in the year



# Audits of the Financial Statements for the period ended 30 June 2020



- Information that will be collected for the Year End Report:
  - Number and value of audit adjustments
  - Adherence to financial reporting timetable including revisions to annual report tabling deadlines
  - Information on entity responses to COVID-19 including inclusion of additional disclosures



**Australian Government**  
**Department of Finance**

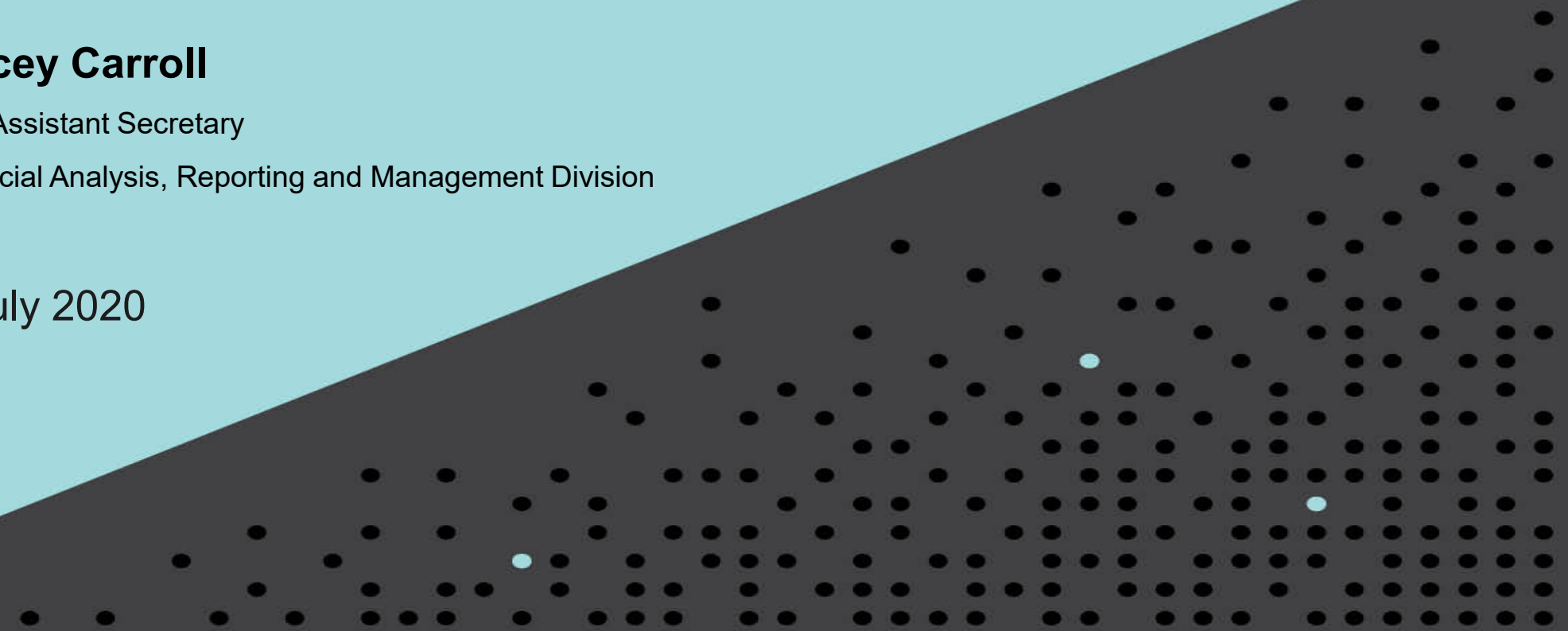
# Audit Committee Chairs Forum

**Tracey Carroll**

First Assistant Secretary

Financial Analysis, Reporting and Management Division

3 July 2020





## Overview

- Key changes to accounting standards
- Frequently Asked Questions
  - accounting impacts of COVID-19 and related matters
- 2019-20 Whole-of-Government financial reporting process
- Support to entities for 2019-20 financial reporting

# Key Changes in Australian Accounting Standards

- Key changes in accounting standards effective 2019-20 include:
  - AASB 16 *Leases*
  - AASB 15 *Revenue from Contracts with Customers*
  - AASB 1058 *Income of Not-for-Profit Entities*
- Early adoption of:
  - AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions*
- Guidance on AASB 16 *Leases*
  - RMG 110 *Guide to implementing AASB 16 Leases*
  - Finance position paper – *Measurement of Right of Use Assets*



# Frequently Asked Questions (FAQ) – Accounting Impacts of COVID-19 and Related Matters

- Important messages in the FAQs document:
  1. Potential of additional losses on balance sheet items
  2. Asset valuation – uncertainty and disclosure
  3. Going concern assessment and disclosure
  4. Disclosure requirements
    - Material estimation uncertainty
    - Forward looking disclosures (eg sensitivity analysis)
    - Subsequent events
- The FAQ document and link is:

<https://www.finance.gov.au/government/financial-reporting-accounting-policy/frequently-asked-questions-accounting-impacts-covid-19-related-matters>



# Financial reporting by entities – 2019-20 whole of government reporting process

- Guidance issued to entities in May 2020:
  - EM 2020/22: 2019-20 End-of-Year Financial Reporting Requirements
  - EM 2020/23: 2019-20 Consolidated Financial Statements – Supplementary Reporting Pack
- Financial reporting from entities to Finance will include information that may not be presented in entities' financial statements (e.g. Tier 1 disclosures and CFS specific disclosures under AASB 1049 *Whole of Government and General Government Sector Financial Reporting*).
  - This information is subject to the same level of assurance as entities' financial statements.





# Financial reporting by entities – 2019-20 whole of government reporting process

To guide the Audit Committee's role in reviewing the appropriateness of an entity's financial reporting:

1. Has the entity verified the accuracy and completeness of the financial information submitted to Finance?
  - Includes information provided via CBMS (refer Section 1 of SRP for checklist). Common disclosures to be verified: maturity analysis for assets/liabilities, financial instruments categories and fair value hierarchy information.
  - Section 2 of SRP collects additional disclosure information not included in CBMS, including for the 2019-20 CFS: transitional impacts of new accounting standards (leases and revenue) and the disaggregation of revenue from contracts with customers.
2. Is the information prepared for CFS supplementary reporting supported by proper records and management assurance?



# Support to Entities for 2019-20 Financial Reporting

- Release of the updated:
  - PGPA (Financial Reporting) Rule (FRR)
  - Commonwealth entities financial statements (RMG 125)
  - Primary reporting and information management aid (PRIMA) forms of financial statements for Tier 1 and Tier 2 entities
  - Reporting guidance for a newly created Commonwealth entity
- Publication Refresh Project
- The guidance and position papers are on the Finance website:  
<https://www.finance.gov.au/government/financial-reporting-accounting-policy/financial-reporting-commonwealth-entities>





# 10 Minute Break



# ANAO pilot of audits of performance statements

**Michael White**

Senior Executive Director  
Performance Audit Services Group  
Australian National Audit Office



# Background



On request of the Minister for Finance, the Auditor-General agreed to undertake a program of pilot audits of annual performance statements, in consultation with the JCPAA

- Implements Recommendation 8 from the *Independent Review of the PGPA Act and Rule*.
- The intent of performance statements audits is to drive improvements in the transparency and quality of entities' performance reporting and, in turn, increase entities' accountability to the Parliament and public.



# Background



Applying existing methodology from recent performance audits with some refinements including:

- Aggregation of results to support consistent and repeatable audit opinions
- Interim results reported to entities in May 2020
- Final audit work in parallel with financial statements audits, in time for entity annual reporting
- Provide audit opinions (under ASAE 3000) to Minister for Finance and prepare a report for the JCPAA



# Interim Audit Testing



## Five areas of interim audit testing:

1. Internal controls assessment
2. Corporate Plan and PBS compliance
3. 'Purposes' assessment
4. 'Key Activities' assessment
5. Appropriateness of performance criteria
  - Relevant; Reliable and Complete



# 1. Internal controls assessment



Interim assessments of:

- entity internal control environment, including fraud risk assessment;
- management assurance controls, including audit committee involvement in performance statements reporting; and
- relevant internal audit coverage





## 2. Corporate plan and PBS compliance



### Corporate plan compliance assessment:

- Requirements outlined in *PGPA Act (Section 35)* and *PGPA Rules (Section 16E)*
- PBS compliance assessment:
  - Requirements outlined in *Finance Secretary Direction dated 3 March 2017 – Requirements for Performance Information included in PBS*



### 3. 'Purposes' assessment



Assessment Questions
1a. Are the purposes readily identifiable (accurately described and labelled)?
1b. Are the purposes free from any additional material that confuses the reader (for example, no unnecessary or duplicative mission or vision statements or text that detract from the purposes)?
1c. Are the purposes clear and concise?
2. Are the purposes consistent with the PBS and other documents?
3a. Do the purposes include what the entity aims to achieve, a summary of the activities the entity will undertake to achieve it, and the outcome/effect of the summarised activities?
3b. Is there a clear alignment between the entity's aims, summarised activities and the outcome/effect?
<b>Are the entity's purposes set out in its Corporate Plan clear and concise and include all required elements</b>



## 4. 'Key activities' assessment



### Assessment Questions

1. Are the activities set out in the entity's Corporate Plan readily identifiable?

2a. Do the activities contribute to the entity's purposes?

2b. Do the activities clearly describe what actions the entity will undertake?

3. Have the activities been expressed at an appropriate level?

*Significant activities are identified rather than minor supporting activities. Larger entities identify a more complex range of activities than smaller entities*

**Do the activities set out in the entity's 2019-20 Corporate Plan support appropriate performance reporting by the entity?**



## 5. Performance criteria - threshold



### Threshold for inclusion in ANAO's assessment

Must be:

- Effectiveness indicator; or
- Efficiency indicator; or
- Effectiveness/efficiency proxy indicator.
- *RMG 131 (paragraph 84) - circumstances where proxies (generally outputs or activities) are acceptable*



## 5. Performance criteria – Relevant



### Assessment characteristics

Individual assessment of each performance criterion

#### **Benefit**

*The performance criterion clearly indicates who will benefit and how they will benefit from the entity's activities.*

#### **Focus**

*The performance criterion should address a significant aspect/s of the purpose, via the activities*

#### **Understandable**

*The performance criterion should provide sufficient information in a clear and concise manner.*



## 5. Performance criteria – Reliable



### Assessment characteristics

Individual assessment of each performance criterion

#### **Measurable**

*The performance criterion should use and disclose information sources and methodologies that are fit for purpose.*

#### **Target**

*The performance criterion should include a target.*

#### **Free from bias**

*The performance criterion should be free from bias and where possible, benchmarked against similar activities.*



## 5. Performance criteria - complete



### Balanced

For each Purpose/Strategic Outcome/PBS Program:

- At least *one* Effectiveness/Effectiveness Proxy Indicator
- At least *one* Efficiency Indicator
- At least *one* Quantitative Indicator
- At least *one* Qualitative Indicator
- Collective
  - Are the significant activities undertaken in each PBS Program encapsulated in the Corporate Plan?
  - Does the Corporate Plan's performance criteria (that meet assessment threshold) cover each PBS Program's significant activities?



## Common difficulties entities have with performance criteria



### Relevant

- Outlining who will benefit and how
- Attributing entity activities to the performance measure
- Making the measure understandable to a reader

### Reliable

- How performance will be measured and that the measurement will be free from bias

### Complete

- Lack of efficiency indicators (measures of inputs over outputs)





# Next steps in the Pilot Program



- Final audit
  - Finalise internal controls assessments
  - Verify completeness and accuracy of performance measures
- Independent Assurance Reports (audit opinions) to entities and the Minister for Finance (tabled in Parliament) in advance of annual reports tabling
- Final Report on the Pilot Program to the JCPAA (tabled in Parliament)



**Australian Government**  
**Department of Finance**

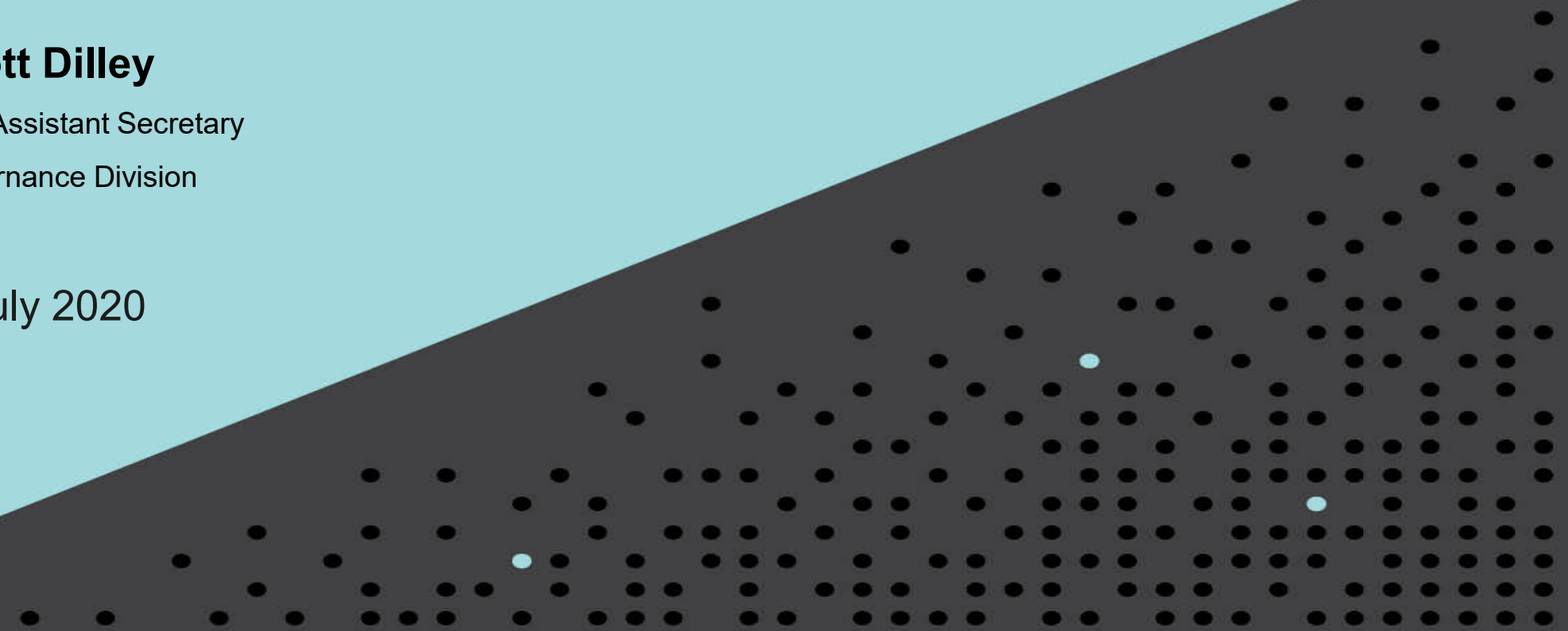
# Audit Committee Chairs Forum

**Scott Dilley**

First Assistant Secretary

Governance Division

3 July 2020





## **Content**

### **Status of the PGPA Review**

- Conclusion and ongoing work

### **Audit Committee Amendments**

- The PGPA Amendment (2020 Measures No.1) Rules
- Enhanced audit committee disclosure requirements
- Changes to the audit committee membership requirements
- Enhanced disclosure of consultancy and non-consultancy contracts
- Guidance and assistance to audit committees

### **Annual Reports and the Transparency Portal**

- Annual Reports
- Data Templates
- 2019-20 Reporting Period
- Digital First and COVID-19
- Transparency Portal



**Australian Government**  
**Department of Finance**

# Current State of the Review



## The Review conclusion and ongoing work

- The Government Response to the Review into the operation of the PGPA Act and Rule is currently under consideration by the Prime Minister.
- 28 recommendations have been implemented or actioned.
- 22 recommendations require an ongoing commitment.
- 2 recommendations are not progressing after careful consideration by Finance





**Australian Government**  
**Department of Finance**

# Audit Committee Amendments



# The PGPA Amendment (2020 Measures No.1) Rules

- The PGPA Rule Amendment was registered on 27 February 2020.
- The Rule Amendment changes the information provided by Commonwealth entities and companies.
- In relation to audit committees:
  - Enhanced audit committee disclosure requirements in annual reports for reporting periods that begins on or after 1 July 2019;
  - Changes in relation to membership of an audit committee will apply on or after 1 July 2021.



# Enhanced audit committee disclosure requirements

The following information must be included in an annual report of a Commonwealth entity or Commonwealth company for the reporting period:

- a direct electronic address of the charter determining the functions of the audit committee;
- the name of each member of the audit committee during the period;
- the qualifications, knowledge, skills or experience of those members;
- information about each of those members' attendance at meetings of the audit committee during the period; and
- the remuneration of each of those members.





# Changes to the audit committee membership requirements

- **Non-corporate Commonwealth entities:**

**All** audit committee members must be persons who are not officials of the entity, and a **majority** of the members must be persons who are not officials of any Commonwealth entity;

- **Corporate Commonwealth entities:**

**All** of the audit committee members must not be employees of the entity.



# Enhanced disclosure of consultancy and non-consultancy contracts

- The PGPA Rule Amendment was registered on 3 June 2020.
- **Non-corporate Commonwealth entities** to disclose in annual reports:
  - the number of, and expenditure on, consultancy and non-consultancy contracts, and
  - additional information about those organisations receiving that expenditure.



## Enhanced disclosure of consultancy and non-consultancy contracts

- The Rule Amendment applies in relation to any reporting period that begins on or after 1 July 2020.
- Entities are encouraged to make additional disclosures in their 2019-20 annual reports if they are already in a position to do so.
- Noting that the changes do not take effect until the 2020-21 reporting period, the Annual Report RMG 135 will not be updated until the next reporting period.



# Guidance and assistance to audit committees

- Assistance to audit committees in delivering its functions:
  - Dedicated web-page for audit committee members providing guidance, tools and information;
- Audit Committee Web-page:  
<https://www.finance.gov.au/government/managing-commonwealth-resources/managing-risk-internal-accountability/duties/risk-internal-controls/audit-committees/information-audit-committee-members>
- Finance is developing an induction program for new audit committee members.





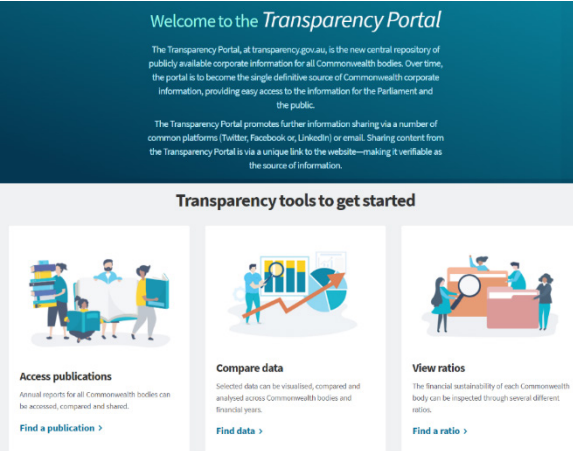
**Australian Government**  
**Department of Finance**

# Annual Reports and the Transparency Portal



# Annual Reports and the Transparency Portal

- All Commonwealth entities & Companies have published their 1<sup>st</sup> Digital Annual Report
- Finance is supporting entities during the shift towards a digital first document development process
- Annual Report RMGs have been updated and are available on the Finance website



Welcome to the *Transparency Portal*

The Transparency Portal, at [transparency.gov.au](http://transparency.gov.au), is the new central repository of publicly available corporate information for all Commonwealth bodies. Over time, the portal is to become the single definitive source of Commonwealth corporate information, providing easy access to the information for the Parliament and the public.

The Transparency Portal promotes further information sharing via a number of common platforms (Twitter, Facebook or LinkedIn) or email. Sharing content from the Transparency Portal is via a unique link to the website—making it verifiable as the source of information.

### Transparency tools to get started

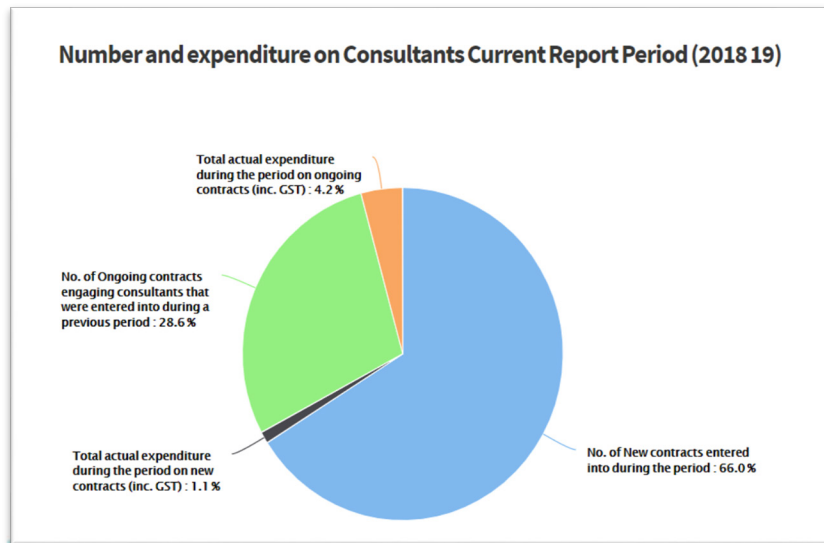
- Access publications**  
Annual reports for all Commonwealth bodies can be accessed, compared and shared.  
[Find a publication >](#)
- Compare data**  
Selected data can be visualised, compared and analysed across Commonwealth bodies and financial years.  
[Find data >](#)
- View ratios**  
The financial sustainability of each Commonwealth body can be inspected through several different ratios.  
[Find a ratio >](#)



# Data Templates & the Transparency Portal

- Available in RMG 135,136,137 & the Digital Reporting Tool
- Facilitate a consistent approach to reporting
- The foundation of a database of comparable information

## Example: Transparency Portal Find Data Tool



## Example: Data Template

Department of Finance  
RMG-135: Annual report for non-corporate Commonwealth entities

PGPA Rule Section 17AG(7)(a)(i)-(iv) – Consultants

Number and expenditure on Consultants Current Report Period (2019-20)

	<i>Total</i>
No. of New contracts entered into during the period	-
Total actual expenditure during the period on new contracts (inc. \$GST)	-
No. of Ongoing contracts engaging consultants that were entered into during a previous period	-
Total actual expenditure during the period on ongoing contracts (inc. \$GST)	-

**Note on completing the above data template:** This data template reflects the current requirements. Complete this data template with the GST inclusive dollar figures (in whole dollars).

## 2019-20 reporting period

- January 2020 – user feedback survey distributed to annual report coordinators
- May 2020 – Access to Digital Reporting Tool provided to entities
- Guidance during the COVID-19 Pandemic:
  - GovTEAMS community established
  - Suite of training materials developed





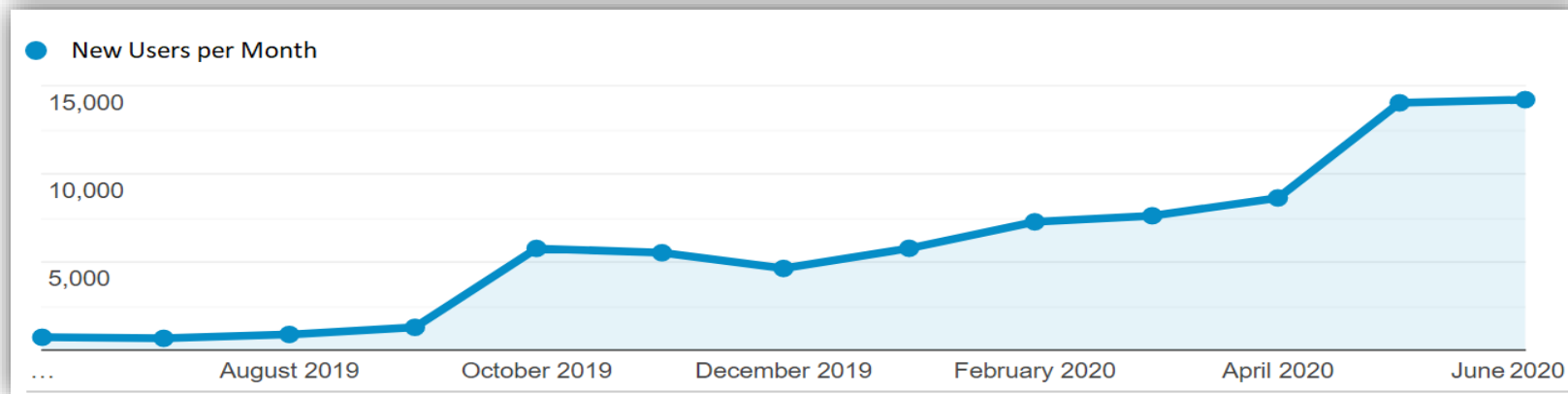
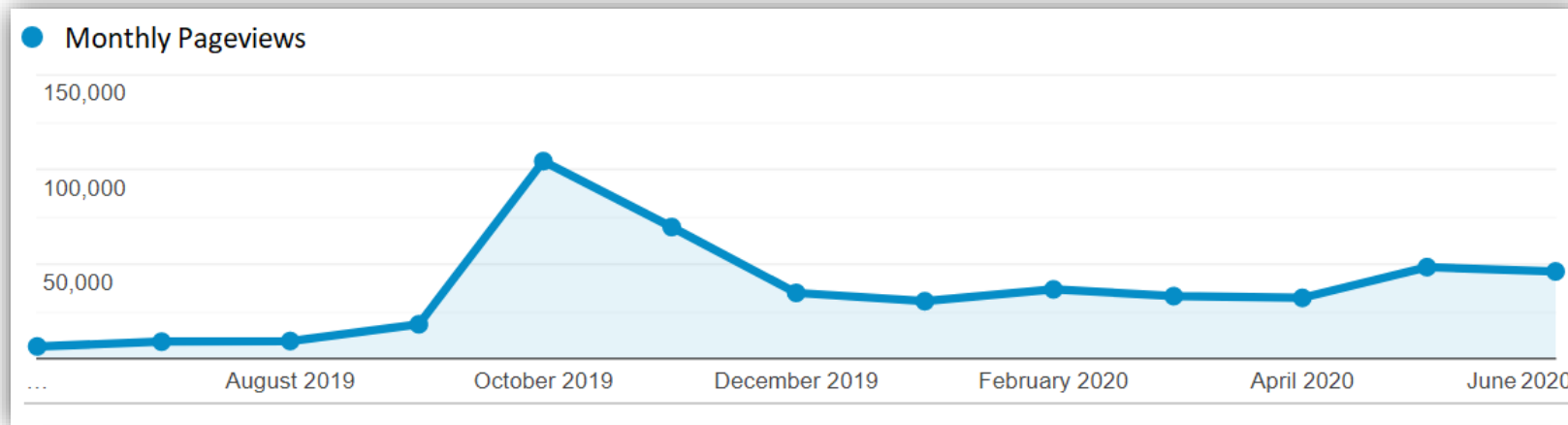
## Digital First approach and COVID-19

- We acknowledge the constraints entities face, including staff redeployments, due to COVID-19
- The digital reporting tool can be used to streamline the production of an annual report
- Entities can focus their Annual Report content on the annual reporting requirements
- These suggestions are aligned with the PM&C Tabling Guidelines & the Joint Committee on Publications' Printing Standards



# Transparency Portal

- 50,000 Pageviews per month
- Visits from new users continues to grow



# Contact

For any further information or assistance, please contact:

- Audit Committee requirements:
  - [pgpa@finance.gov.au](mailto:pgpa@finance.gov.au)
- Annual Report amendments:
  - [DigitalAnnualReportProject@finance.gov.au](mailto:DigitalAnnualReportProject@finance.gov.au)
  - (02) 6215 1653





**Australian Government**  
**Department of Finance**

# **Audit Committee Chairs Forum**

## **Working with a shared services provider**

### **Case Study: Service Delivery Office**

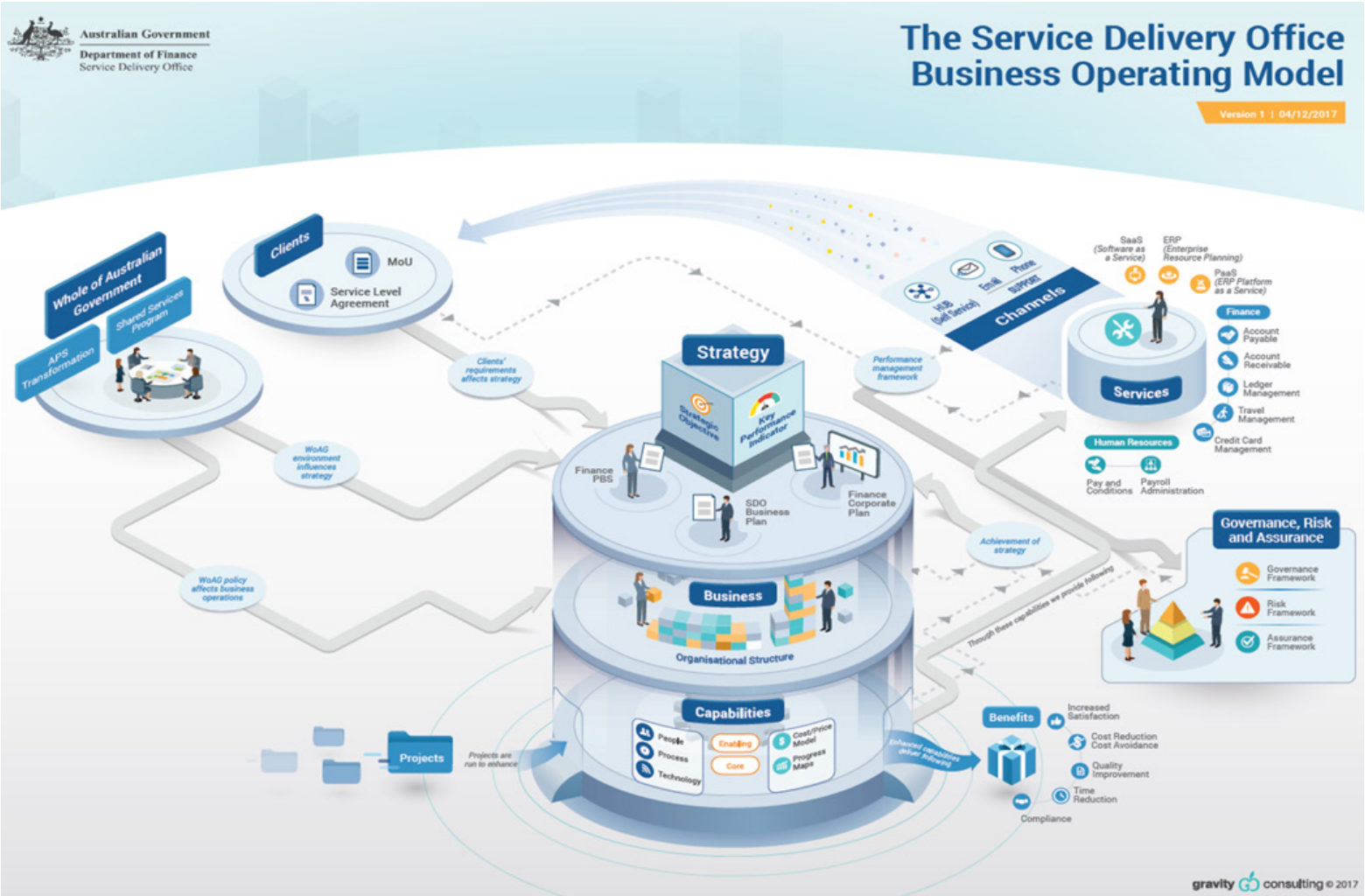
**Lucelle Veneros**

A/g Deputy Secretary

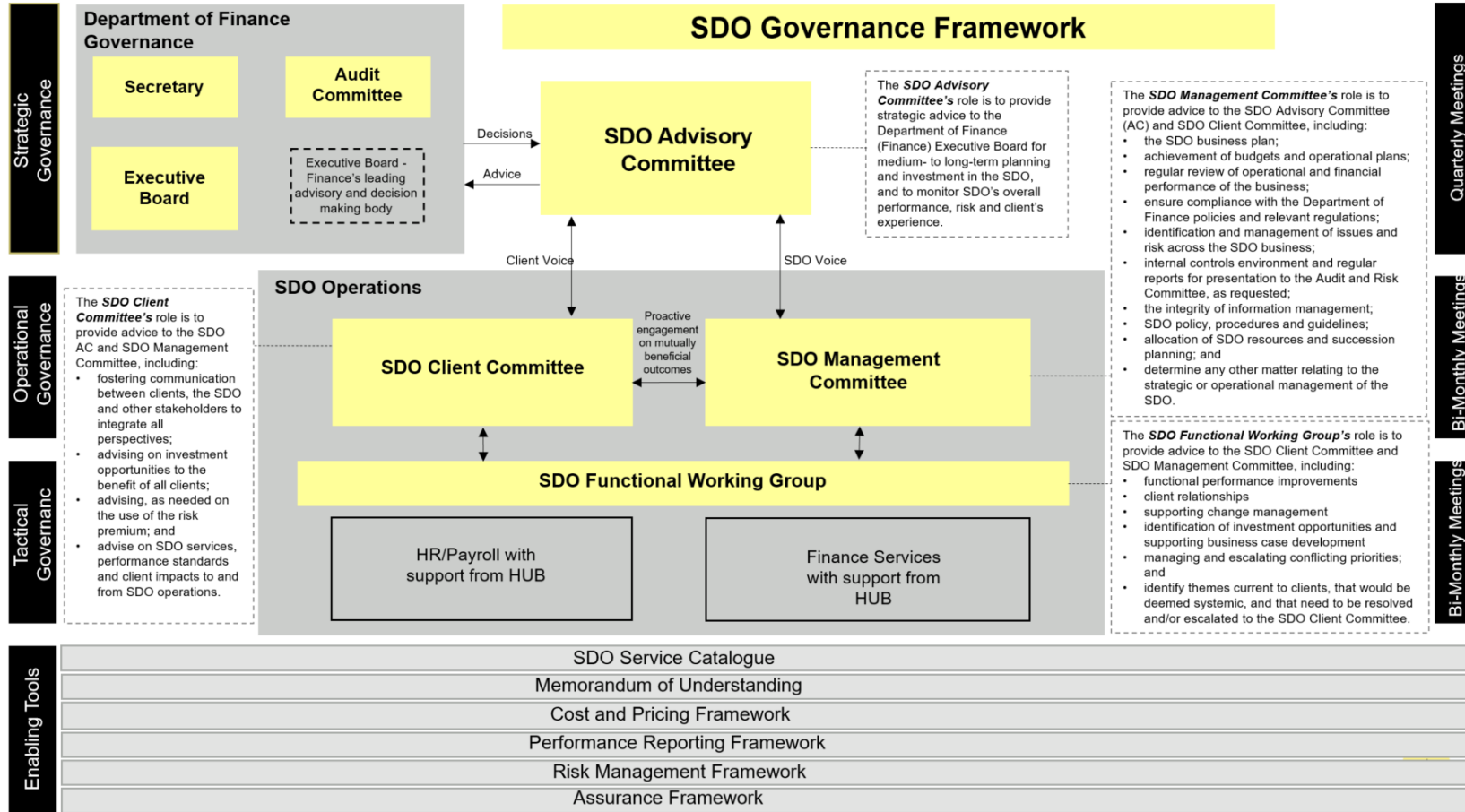
Shared Services Transformation

3 July 2020

# SDO Operating Model

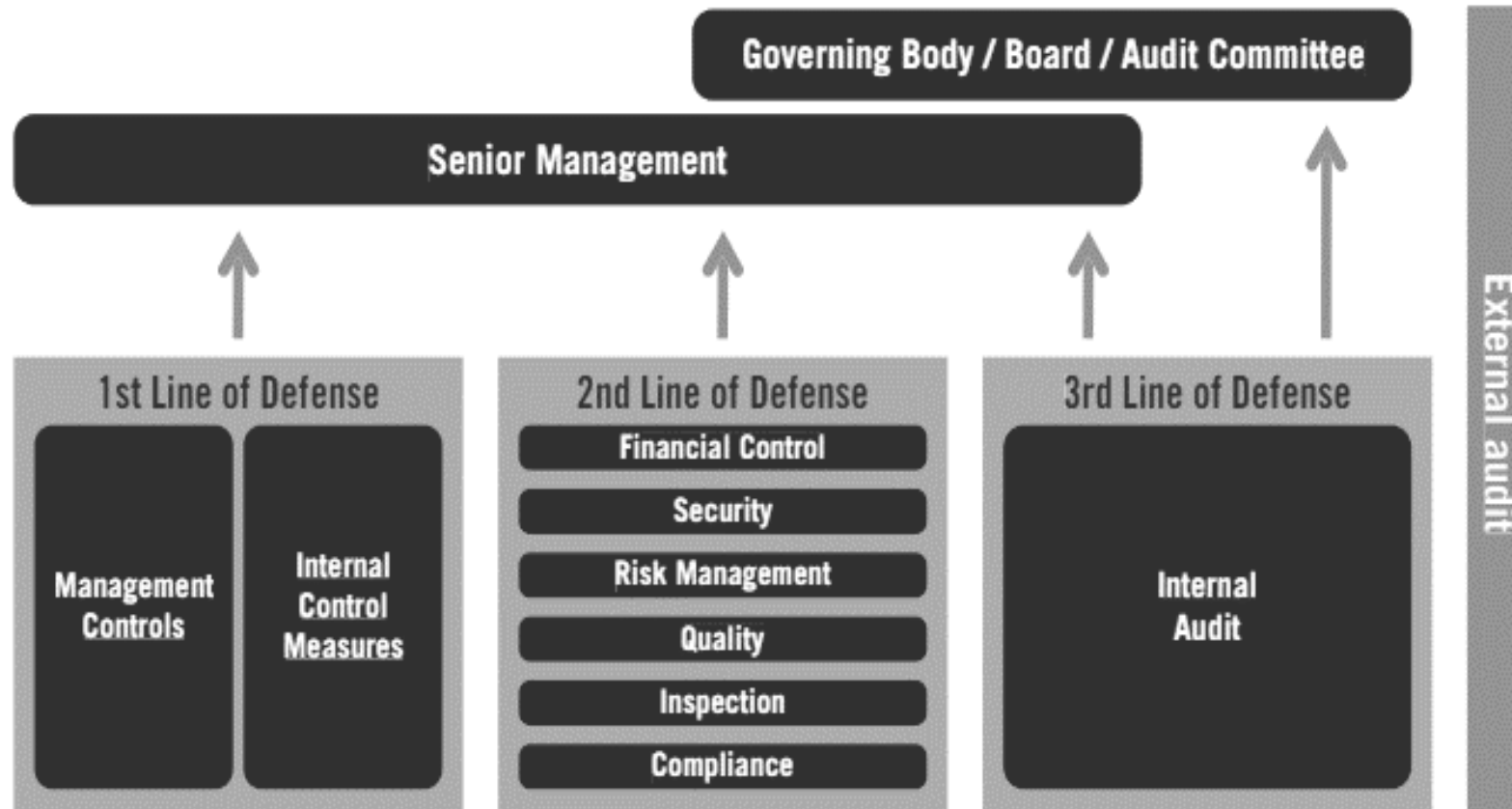


# SDO Governance



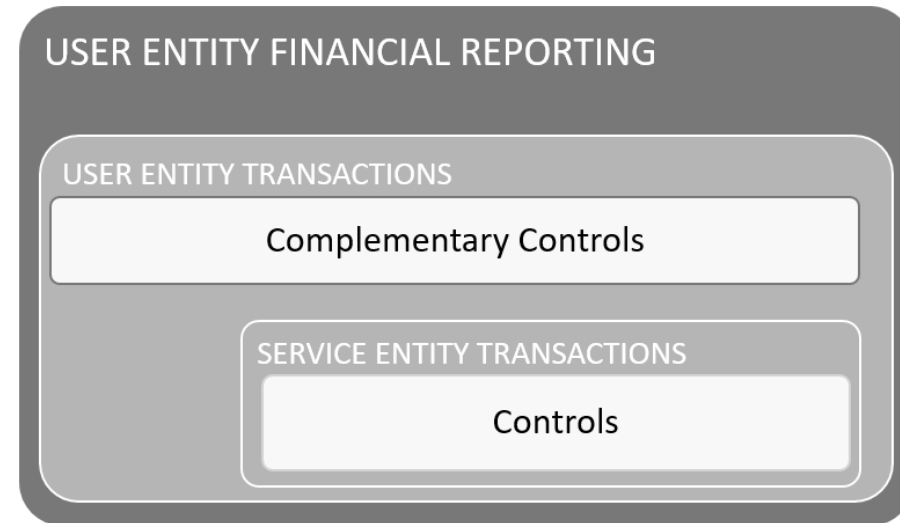
# SDO Internal Controls Governance

- SDO utilises a 'three lines of defence model' to provide assurance.
- Structured to reflect the role performed, and the level of independence and objectivity sought by Finance's senior executive, clients and other key stakeholders.



# SDO Financial Reporting and Service Entity Controls

- SDO clients prepare financial reports that are audited by the ANAO.
- SDO processes transactions and undertakes activities that form part of disclosures in clients' financial statements.
- SDO tests internal controls monthly for:
  - Payroll
  - Accounts Payable
  - Account Receivable
  - Credit Cards
  - Travel
  - General IT
- SDO tests the controls quarterly to ensure the testing framework is still relevant based on operational requirements.
- SDO provides Management Representation Statements to clients annually.



**In shared services both the service entity's controls and the user entity's controls contribute to assurance for financial reporting.**





# SDO Internal Control Framework Overview

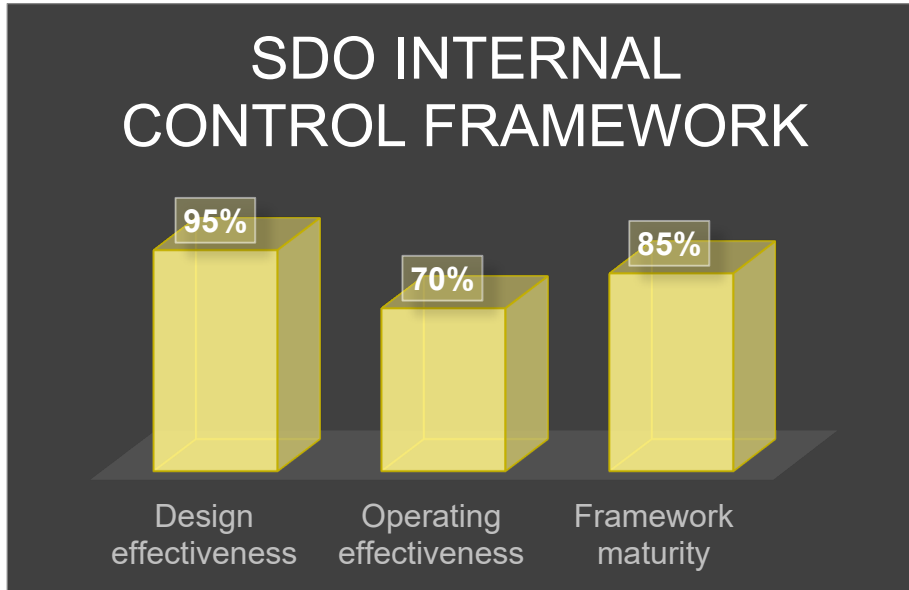


**The framework is capable of being audited under ASAE 3402, which is the Australian Assurance standard for an assurance engagement on the controls of a service entity.**

- **Risk** - Operational and compliance risks related to activities undertaken by the SDO clients.
- **Control objective** - A specific target against which to evaluate the adequacy of a control activity.
- **Control activities** - The policies, procedures, systems, tools that are designed and implemented as a response to an identified risk.
- **Monitoring activities** - Policies, processes and procedures implemented to evaluate whether controls are operating as intended.



# SDO Control Framework Status



- The **design effectiveness** of the control framework is rated high. Controls are designed to treat all identified risks. SDO continues to review the framework to identify efficiencies.
- The **operating effectiveness** of the control framework is moderate. The majority of controls within most service offerings are operating effectively. The exception is payroll. SDO are making changes to address the shortcomings.
- The **maturity** of the framework is high. The framework is fully documented and implemented. Assurance activities are performed monthly. Effective reporting mechanisms are in place and being strengthened.



# SDO Assurance Reports for Clients

## EXECUTIVE SUMMARY

### Overall Internal Control Framework Status

<b>Design Effectiveness:</b>	<insert high level commentary on the assessed design effectiveness of the internal control framework>	
<b>Operating Effectiveness:</b>	<insert high level commentary on the assessed operating effectiveness of the internal control framework>	
<b>Framework &amp; Organisational Maturity:</b>	<insert high level commentary on the assessed maturity of the organisation and the organisation's internal control framework>	

- The assurance report was developed with clients.
- The report assesses the design effectiveness of the control framework and the operating effectiveness of controls.
- The results and conclusions are the accumulation of internal assurance testing that is evidence based.
- A summary is provided for each service offering.
- The report details the status and progress of issue resolution.
- The report is provided quarterly to SDO clients.
- Client and targeted CFO meetings have provided useful feedback to continue maturing the current process.

### Year-to-Date Testing Results



### Issues Management & Resolution

Priority	Opening	New	Closed	Outstanding
1				
2				
3				

# SDO Internal Controls Journey

To achieve continuous improvement as a service delivery provider, the SDO, with its strategic assurance provider:

- Established an improvement process to continuously review internal controls.
- Appointed a dedicated team to maintain the currency of the control framework and monitoring the effectiveness of control design and operation.
- Actively engaged clients on the development of the assurance reports and framework.
- Redesigned and documented a fit for purpose controls framework that supports SDO, Department of Finance and client audit outcomes.

SDO is engaging with other Commonwealth hubs to share lessons learnt and provide advice and experience in the development of an internal controls framework.



**Value Streams are core to the business model. They anchor processes and support shared understanding and conversations, to achieve continuous improvement in service delivery.**



# QUESTIONS





# ANAO COVID-19 Audit Strategy

**Lisa Rauter**

Group Executive Director  
Performance Audit Services Group  
Australian National Audit Office



# Strategy Overview



- A three phased strategy to consider the effective, efficient, economical and ethical delivery of the Australian Government's response to the COVID-19 pandemic.
- Including the examination of economic stimulus and social support packages as well as the management of related risks, such as:
  - system and technology changes;
  - fraud;
  - information management;
  - privacy;
  - compliance and regulatory effectiveness.



# Three phases of audit: Phase 1



Phase 1: Focus on in-flight delivery of key government measures, including:

- Risk management – in frontline delivery agencies – examining risks such as internal and external fraud, compliance, reaching beneficiaries in a timely manner, stakeholder engagement, IT system controls, data integrity, and impact on business as usual
- Resourcing – effectiveness of the APS to quickly and efficiently identify and train additional resources to implement new measures and deliver new policy
- Procurement – looking at the national medical stockpile and preparedness for pandemic response, procurement of personal protective equipment (PPE), pharmaceuticals and medical devices, the planning for distribution of the equipment quickly and to areas of highest need





## Phase 1 audits



- Services Australia COVID-19 measures and enterprise risk management
- The Australian Taxation Office's management of risks related to the rapid implementation of COVID-19 economic response measures
- Management of the Australian Public Service's workforce response to COVID-19
- Procurements to increase the national medical stockpile

All are planning to table in December 2020



## Three phases of audit: Phase 2



Phase 2 will focus on the three main stages of program delivery:

- policy design;
- implementation;
- performance assessment, evaluation and dissemination of lessons learnt.

Audit topics still being determined, but will be informed by:

- assessment of risk and system controls;
- materiality of funds allocated to entities;
- potential or actual impact of the response measure on the entity, individuals and/or industry;
- extent of policy or systems change in each portfolio; and
- Parliamentary interest



## Three phases of audit: Phase 3



In Phase 3 we will review the outcomes of the Australian Government's COVID-19 response.

This may include a post-pandemic assessment of:

- the achievement of outcomes intended through the COVID-19 measures
- recovery plans and programs
- identification and dissemination of lessons learnt
- the readiness of government systems and processes to respond to future crises
- the government's response from a whole of sector perspective, looking at findings from all audits undertaken that have considered COVID-19 policy measures and associated impacts.



# Early Products



- Insights on Rapid Implementation

<https://www.anao.gov.au/work/audit-insights/rapid-implementation-australian-government-initiatives>

- Dedicated ANAO website page for COVID-19 related audit activity and COVID-19 audit strategy

Coming soon

- Assurance Review of Advances to the Finance Minister (1 July 201 to 24 April 2020 and 25 April to 29 May 2020)

<https://www.anao.gov.au/pubs/assurance-review>



# Forum Close

ANAO contact: [external.relations@anao.gov.au](mailto:external.relations@anao.gov.au)

Finance contacts: [accountingpolicy@finance.gov.au](mailto:accountingpolicy@finance.gov.au) or [pgpa@finance.gov.au](mailto:pgpa@finance.gov.au)