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Auditor-General Report No.8 2022–23
Financial Statements Audit

Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022

Australian National Audit Office

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Australian National
Audit Office

Canberra ACT
14 December 2022

Dear Mr Speaker
Dear President

In accordance with the authority contained in the Auditor-General Act 1997, I have undertaken the audits of the financial statements of Australian Government entities and examinations and inspections of the accounts and records of those entities. The report is titled *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2022*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit to the Parliament.

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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Executive summary

1. The ANAO publishes an annual audit work program (AAWP) which reflects the audit strategy and deliverables for the forward year. The purpose of the AAWP is to inform the Parliament, the public and government sector entities of the planned audit coverage for the Australian Government sector by way of financial statements audits, performance audits, performance statements audits and other assurance activities. As set out in the AAWP, the ANAO prepares two reports annually that, drawing on information collected during financial statements audits, provide insights at a point in time to the financial statements risks, governance arrangements and internal control frameworks of Commonwealth entities. These reports provide Parliament with an independent examination of the financial accounting and reporting of public sector entities.

2. These reports explain how entities' internal control frameworks are critical to executing an efficient and effective audit and underpin an entity's capacity to transparently discharge its duties and obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act). Deficiencies identified during audits that pose either a significant or moderate risk to an entity's ability to prepare financial statements free from material misstatement are reported.

3. This report presents the final results of the 2021–22 audits of the Australian Government's Consolidated Financial Statements (CFS) and 247 Australian Government entities.[1] The Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities*, focused on the interim results of the audits of 25 of these entities.

Consolidated financial statements

Audit results

4. The CFS presents the whole of government and the General Government Sector financial statements. The 2021–22 CFS was signed by the Minister for Finance on 16 November 2022 and an unmodified auditor's report was issued on 17 November 2022.

5. There were no significant or moderate audit issues identified in the audit of the CFS in 2021–22 or 2020–21.

Australian Government financial position

6. The Australian Government's net worth deficiency decreased from $743.2 billion in 2020–21 to $607.2 billion in 2021–22. Over the period 2012–13 to 2021–21, total assets increased from $430.8 billion to $1,053.3 billion, total liabilities increased from $641.4 billion to $1,660.5 billion and net worth has decreased from a deficit of $210.5 billion to a deficit of $607.2 billion (see paragraphs 1.16 to 1.32).

1 This report is based on the portfolio arrangements established by the Administrative Arrangements Order of 18 March 2021 incorporating amendments up to 30 June 2022. Administrative Arrangement Orders commencing after 30 June 2022 including the Administrative Arrangement Orders signed 1 June 2022 and 23 June 2022 to commence 1 July 2022 are not taken into consideration.

Financial audit results and other matters

Use of appropriations

7. The Department of Defence used non-operating funding available from *Appropriation Act (No. 2) 2020-21* for the termination payment in relation to the cancelled Attack Class submarine project (operating expenditure). It is not clear that the Parliament, in passing the Act, intended for an appropriation for non-operating expenditure to be used for the purpose of funding Defence's operating expenditure. Subsequent AGS and Department of Finance advice has not considered this to be inconsistent with the Appropriation Acts.

8. The risk for the Parliament from this precedent is that the controls and framework supporting the appropriation and expenditure of funds it may have reasonably considered to be in place, for example that an appropriation for non-operating purposes could only be used for that purpose, may not in fact exist or are being followed by entities (see paragraphs 4.3.41 to 4.3.51).

Quality and timeliness of financial statements preparation

9. The ANAO issued 237 unmodified auditor's reports, including the CFS, and one modified auditor's report, as at 2 December 2022. A quality financial statements preparation process will reduce the risk of inaccurate or unreliable reporting.

10. The ANAO noted an increase in findings relating to processes supporting financial statements preparation, decline delivery of draft financial statements in line with entity financial statements project plans, an increase in the number of unadjusted audit differences and an increase in overall total value of unadjusted audit differences reported to entities in 2021–22 compared to 2020–21 (see paragraphs 2.10 to 2.22).

Timeliness of financial reporting

11. The financial statements were finalised, and auditor's reports issued for 86 per cent of entities within three months of the financial year-end. On average it took entities 44 days after the auditor's report was issued for annual reports to be tabled in Parliament. Eighty-six per cent of entities that are required to table an annual report in Parliament tabled prior to or on the date that the portfolio's Senate estimates hearing commenced. Of the entities required to table annual reports, eight per cent had not tabled an annual report as at 2 December 2022 (see paragraphs 2.23 to 2.31).

Key audit matter reporting

12. The ANAO has applied ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report for the 25 entities included in Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities* and the CFS. In 2021–22 a total of 57 key audit matters (KAM) were included across the 25 entities and seven KAM were included in the CFS auditor's report (see paragraphs 2.32 to 2.35).

Removal of user access

13. The ANAO has identified that several government entities have not implemented effective controls relating to the timely removal of user access. This is consistent with issues previously reported by the ANAO. The ANAO assessed termination controls in place at government entities

and found that the majority of entities assessed do not have an effective control to monitor access or activity in entities systems after user cessation. The weaknesses identified by the ANAO pose an increased risk of unauthorised access to systems and data (see paragraphs 2.98 to 2.106).

Financial sustainability

14. An assessment of an entity's financial sustainability can provide an indication of financial management issues or signal a risk that the entity will require additional or refocused funding. The ANAO analysis concluded that the financial sustainability of the majority of entities was not at risk (see paragraphs 2.36 to 2.57).

Summary of audit findings

15. A total of 175 findings were reported to entities as a result of the 2021–22 financial statements audits. These comprised one significant, 27 moderate, 132 minor findings and 15 legislative findings. The highest number of findings are in the categories of:

- IT security management and user access; and
- accounting and control of non-financial assets.

16. Of the 15 legislative findings reported, three were significant legislative breaches, one of which has remained open since 2012–13 (see paragraphs 2.58 to 2.95).

Reporting and auditing frameworks

Changes to the Australian public sector reporting framework

17. There are no significant changes to accounting standards affecting the Commonwealth for 2022–23. The revised requirements for Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement* effective for financial years commencing 2022–23 have been incorporated into the ANAO's audit methodology (see paragraphs 3.6 to 3.10).

18. Assessment of the ethical use of public resources beyond technical compliance with rules and policy frameworks is a new and evolving area of focus, and the ANAO has developed a framework to test ethical use of resources. Sustainability reporting is also a rapidly emerging area of interest, and the ANAO is contributing to discussions as reporting and assurance standards develop(see paragraphs 3.11 to 3.22).

19. The ANAO quality assurance framework is being updated to ensure compliance with the new and revised Australian Quality Management Standards effective 15 December 2022. The revised standards introduce a framework for quality management that is focused on proactively identifying and responding to quality risks (see paragraphs 3.23 to 3.29).

20. Data analytics continues to be a focus for the ANAO, and audits undertaken in 2021–22 have continued to build on previous initiatives to enhance audit quality and efficiency (see paragraphs 3.30 to 3.32).

Cost of this report

21. The cost to the ANAO of producing this report is approximately $430,000.

1. The Consolidated Financial Statements

Chapter coverage

This chapter outlines the results of the audit of the Consolidated Financial Statements (CFS) of the Australian Government, which includes the Whole of Government and the General Government Sector (GGS) financial statements for the year ended 30 June 2022, and the Australian Government's financial results for 2021–22.

This chapter also includes:

- the key audit matters (KAM) reported for the CFS;
- an analysis of the Australian Government's financial outcome and financial position; and
- an analysis of the Australian Government loans and equity issued, including investments made for policy purposes in public corporations and concessional loans and provides a summary of those entities established to provide alternate financing arrangements.

Audit results

The 2021–22 CFS was signed by the Minister for Finance on 16 November 2022 and the Auditor-General's unmodified auditor's report was issued on 17 November 2022.

There were no significant or moderate audit issues identified in the audit of the CFS in 2020–21 or 2021–22.

Expenses of the Australian Government totalling $643.7 billion for the year ended 30 June 2022 were funded by $623.2 billion of revenue and approximately $20.5 billion net borrowings. The borrowings represent 3.2 per cent of the total expenses for 2021–22 (19.4 per cent in 2020–21).

The Australian Government's net worth deficiency decreased from $743.2 billion in 2020–21 to $607.2 billion in 2021–22.

Over the period 2012–13 to 2021–22, total assets increased from $430.8 billion to $1,053.4 billion, total liabilities increased from $641.4 billion to $1,660.5 billion and net worth has decreased from a deficit of $210.5 billion to a deficit of $607.2 billion.

Background

1.1 Government accountability and transparency is supported by the preparation and audit of the Australian Government's CFS. The CFS and the associated financial analysis provide information to assist users in assessing the financial performance and position of the Australian Government. The CFS is prepared by the Department of Finance (Finance) and issued by the Minister for Finance.

1.2 The CFS presents the consolidated whole of government financial results which includes the results of all Australian Government controlled entities, as well as the GGS financial statements. The 2021–22 CFS is prepared in accordance with section 48 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and the requirements of the Australian Accounting Standards, particularly AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (AASB 1049).

1.3 AASB 1049 requires, with limited exceptions, the principles and rules in the Australian Bureau of Statistics' Government Finance Statistics (GFS) Manual to be applied in the preparation of the CFS where compliance with the GFS Manual would not conflict with Australian Accounting Standards.

Key areas of financial statements risk

1.4 The ANAO's 2021–22 audit approach identified seven key areas of financial statements risk that had the potential to impact the CFS and which were considered key audit matters (KAM). The KAM for 2021–22 are consistent with 2020–21.[2]

Table 1.1: Key areas of financial statements risk

Relevant financial statement item[a]	Key audit matters	Audit risk rating	Factors contributing to the risk assessment
Taxation Revenue $549.4 billion *Australian Taxation Office* *Department of Home Affairs*	Accuracy of taxation revenue	**Higher**	• complex estimation processes, involving significant judgement and specialist knowledge; • completeness, relevance and accuracy of source data; and • volatility in economic conditions, such as wage growth, gross domestic product and historical information increases the uncertainty of factors underpinning the estimates.
Personal benefits expense $154.5 billion *Australian Taxation Office* *Department of Education, Skills and Employment* *Department of Social Services* *National Disability Insurance Agency*	Accuracy and occurrence of personal benefits expense	**Higher**	• reliance on the correct self-disclosure of personal circumstances by a large number of diverse recipients; and • reliance on a complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining the correct payment amount.
Advances paid $70.6 billion Other receivables and accrued revenue $68.6 billion	Valuation of advances paid and receivables	**Moderate**	• for advances paid, particularly student loans through the Higher Education Loan Program, the complexity and uncertainty in estimating fair value, including recoverability and impairment based on estimates of future income of individuals that need to repay, the timing of expected

2 The names and functions of the entities are based on the Administrative Arrangements Order of 18 March 2021 incorporating amendments up to 30 June 2022. Administrative Arrangement Orders commencing after 30 June 2022 including the Administrative Arrangement Orders signed 1 June 2022 and 23 June 2022 to commence 1 July 2022 were not taken into consideration.

Relevant financial statement item[a]	Key audit matters	Audit risk rating	Factors contributing to the risk assessment
Australian Taxation Office *Department of Education, Skills and Employment* *Department of Social Services*			repayments and the amount of the loan not expected to be recovered; • complex methodologies and assumptions underpinning the calculation and assessment of the recoverability of taxation receivables, and the calculation of the provision for refunds; and • sensitivity of these balances to incremental changes in assumptions.
Collective investment vehicles (component of investments, loans and placements) $106.9 billion *Future Fund Management Agency* *Department of Finance*	Valuation of collective investment vehicles	**Moderate**	• size of the investments and inherent subjectivity and significant judgements and estimates required where market data is not available to determine the fair value of these investments.
Australian government securities $576.5 billion *Australian Office of Financial Management*	Valuation and disclosure of Australian government securities	**Moderate**	• significant value of the liability and significant volume of instruments issued; • fair value is subject to price changes in local and global money and capital markets; and • complex financial statements disclosure requirements for financial liabilities measured at fair value through profit and loss.
Specialist Military Equipment (SME) $81.3 billion *Department of Defence* Other plant, equipment and infrastructure $72.5 billion *Numerous entities*	Valuation of specialist military equipment and other plant, equipment and infrastructure assets	**Moderate**	• differences in accounting policies applied by Government Business Enterprises, such as NBN Co and Snowy Hydro Limited, compared to those applied in the preparation of the CFS; • complex valuation process and judgement involved in valuing assets such as the NBN network, Inland Rail and Snowy 2.0; • the annual impairment and revision of useful lives are subject to a high degree of judgement and subjectivity; • high degree of judgement applied to the valuation of SME due to the highly specialised nature of equipment, including judgements required to determine appropriate useful lives, to assess the financial impact of indicators of impairment and to obtain replacement costs of assets

Relevant financial statement item[a]	Key audit matters	Audit risk rating	Factors contributing to the risk assessment
			with similar capability in the absence of an active market; and • in respect of the cost attribution model applied in the valuation of SME, prior year weaknesses identified in the asset valuation methodology to allocate costs relating to assets under construction.
Superannuation liabilities[b] $322.0 billion *Department of Defence* *Department of Finance*	Valuation of superannuation liabilities	**Higher**	• complexity of the calculation, requiring significant judgement in the selection of long-term assumptions, including economic assumptions and demographics of the schemes' members; and • detailed disclosure requirements for the presentation and disclosure of defined benefit plans.

Note a: Figures presented in Table 1.1 may differ from the financial statements of individual entities because of eliminations and adjustments at the CFS level or where the entities identified contribute a majority to the balance of the financial statement line item.

Note b: These are the main government entities responsible for administration and reporting of Australian Government superannuation liabilities. Liabilities also include schemes managed by other entities, such as the Australian Postal Corporation.

Source: ANAO 2021–22 audit results, and the CFS for the year ended 30 June 2022.

Audit results

1.5 The 2021–22 CFS was signed by the Minister for Finance on 16 November 2022 and the Auditor-General's unmodified auditor's report was issued on 17 November 2022.

1.6 There were no significant or moderate audit findings arising from the 2020–21 or 2021– 22 financial statements audits of the CFS.

Australian Government's financial outcome

Operating result

1.7 The following key financial measures were reported for 2021–22:

- net operating balance was a deficit of $20.5 billion (compared to a deficit of $130.5 billion in 2020–21);
- operating result was a surplus of $28.4 billion (compared to a deficit of $97.9 billion in 2020–21); and
- comprehensive result (change in net worth) was an increase in net worth of $135.9 billion (compared to a decrease of $63.4 billion in 2020–21).

1.8 The net operating balance has remained in a deficit. The deficit has however reduced due to a 15.2 per cent increase in revenue of $82.0 billion, an 80.2 per cent decrease in subsidy expenses of $68.4 billion, partially offset by a 14.7 per cent increase in the supply of goods and services expenses of $22.2 billion and an 11.3 per cent increase in grants (current and other capital) of $20.4 billion (11.3 per cent).

1.9 Total revenue increased primarily due to higher taxation revenue (mainly individual income, company and superannuation fund taxation) as a result of the stronger labour market conditions, higher commodity prices and higher earnings and contributions on superannuation funds compared with 2020–21.

1.10 The major reasons for changes in expenses in 2021–22 include:

- a decrease in subsidy expenses of $68.4 billion, primarily reflecting the cessation of COVID-19 pandemic programs including JobKeeper and cash flow boost payments to employers;
- an increase of $22.2 billion for supply of goods and services including an increase in payments to participants under the National Disability Insurance Scheme ($5.3 billion), increased spending on medical and pharmaceutical benefits ($5.4 billion) and an increase in the general supply of goods and services ($9.9 billion); and
- additional grants expenses of $20.4 billion mainly relating to increased payments to States and Territories under national partnership arrangements and for GST distribution.

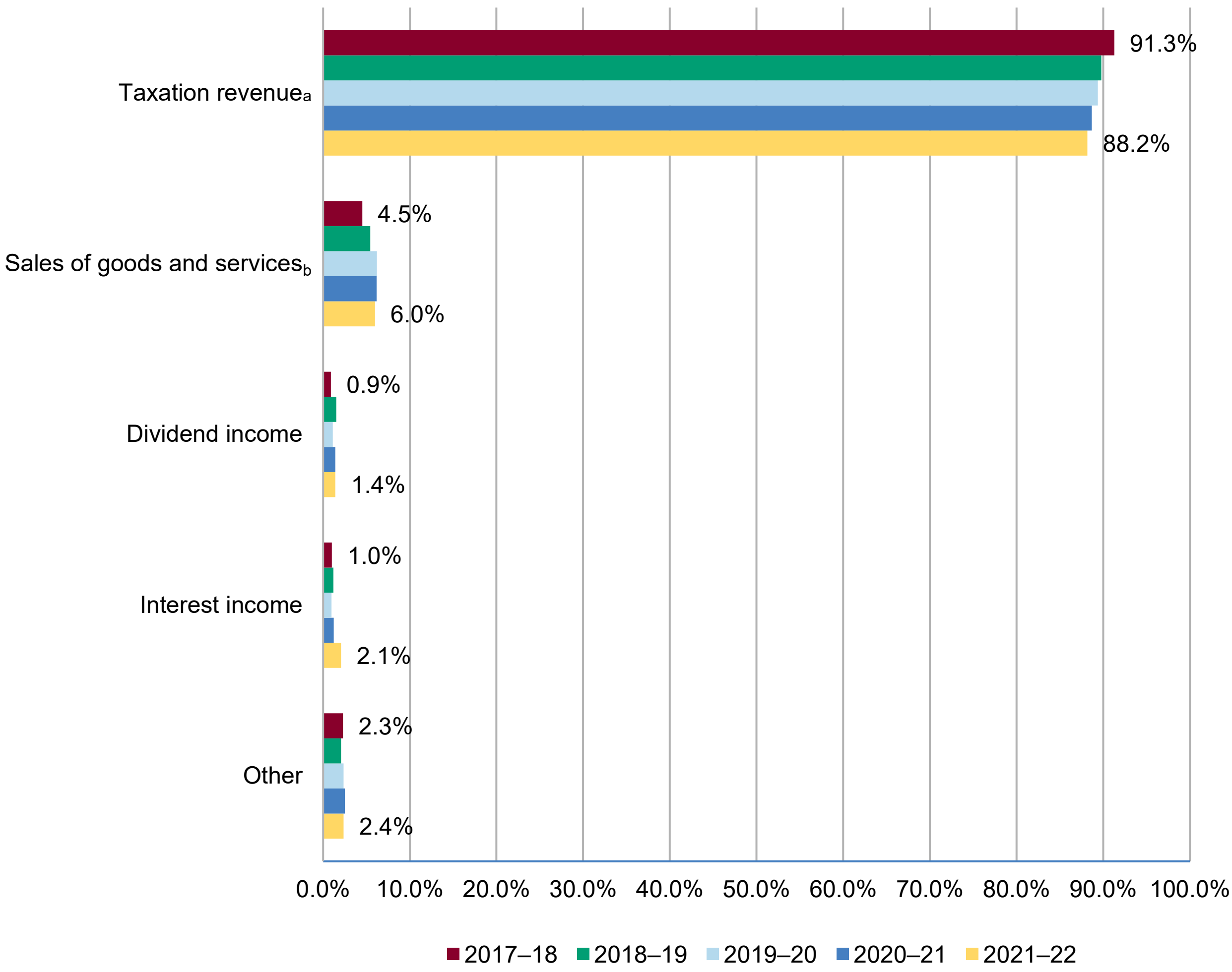
1.11 The Australian Government's operating result was a surplus for 2021–22, compared to a deficit in 2020–21. The operating result reflects the net operating balance, plus fair value gains of $54.4 billion (2020–21: $53.8 billion) attributable to collective investment vehicles and investments administered by the Future Fund Management Agency.

1.12 The comprehensive result (improvement in net worth) is the sum of the operating result surplus of $28.4 billion, the actuarial revaluation superannuation gain of $95.2 billion and revaluations of non-financial assets of $10.1 billion. The actuarial gain on superannuation relates mainly to changes in the discount rate used in the estimation of the liability which reflect increases in the Australian Government bond rate. An increase in the discount rate has the effect of reducing the present value of estimated value of future superannuation liabilities and resulting in an actuarial gain. The revaluations of non-financial assets include an increase in the valuation of specialist military equipment of $4.4 billion, buildings of $2.0 billion and other plant, equipment and infrastructure of $1.2 billion.

Revenue by source

1.13 The Australian Government's revenue for the year ended 30 June 2022 was $623.2 billion (compared to $541.2 billion for the year ended 30 June 2021). Figure 1.1 provides an analysis of revenue by source from 1 July 2017 to 30 June 2022. Each revenue source as a percentage of total revenue has remained reasonably steady with proportion of taxation revenue decreasing slightly from 91.3 per cent in 2017–18 to 88.2 per cent in 2021–22. Sale of goods and services has continued to increase, from 4.5 per cent to 6.0 per cent and interest income has doubled from 1.0 per cent to 2.1 per cent during the same period. Taxation revenue including company tax, individual tax and sales taxes remains the major source of government revenue.

Figure 1.1: Australian Government revenue by source from 2017–18 to 2021–22



Note a: In the 2021–22 financial year the main sources of taxation revenue included individual tax (48.2 per cent), company tax (22.9 per cent), sales taxes (14.4 per cent), superannuation fund taxes (4.8 per cent), excise duty revenue (4.1 per cent), and customs duty revenue (3.1 per cent).

Note b: Sales of goods and services include revenue received from the provision of regulatory services, rental income, sale of electricity by Snowy Hydro Limited, revenue from postal services and broadband network revenue.

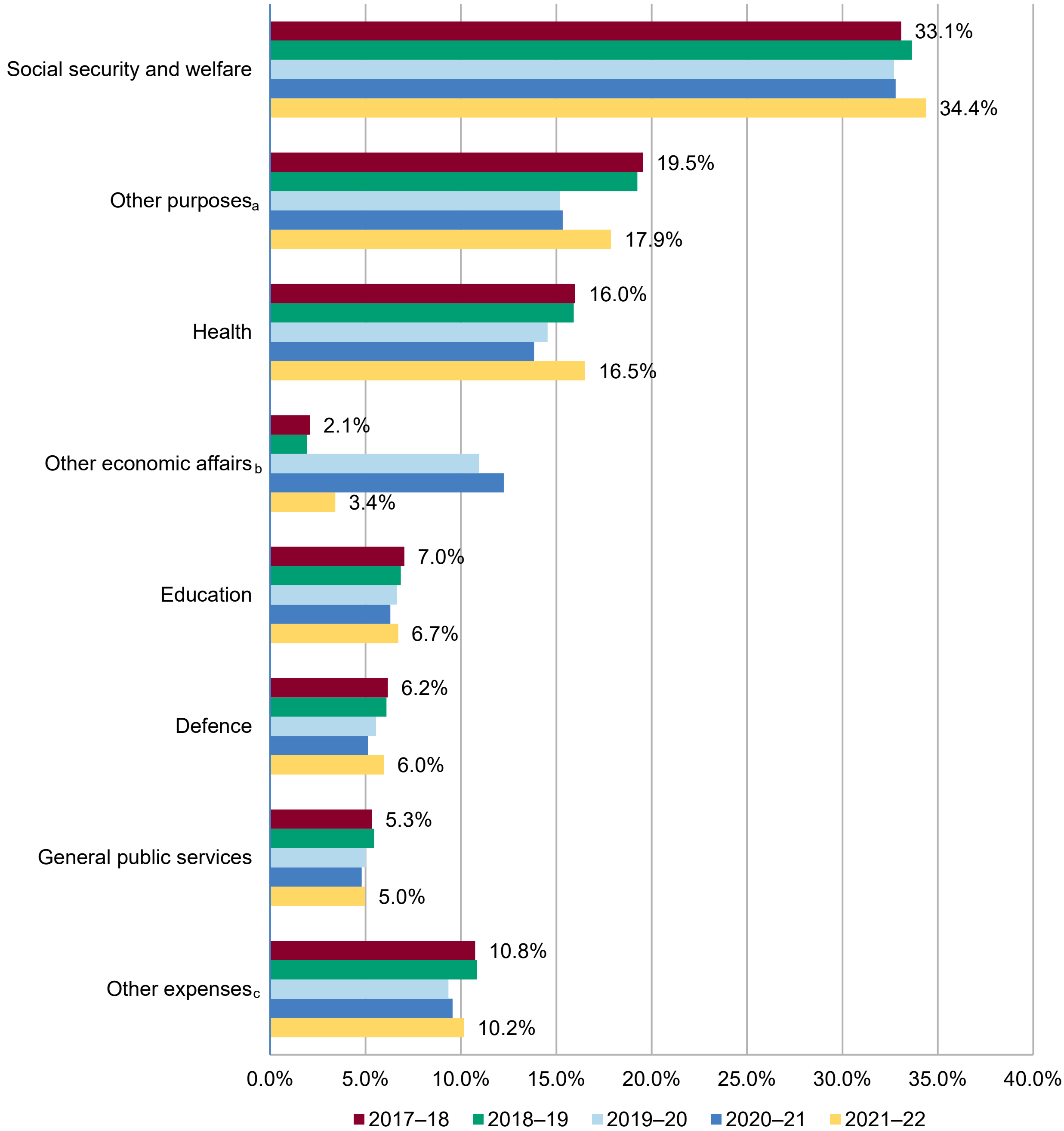
Source: ANAO analysis of the CFS from 2017–18 to 2021–22.

Classification of expenses by the functions of Government

1.14 Figure 1.2 provides an analysis of the Australian Government's expenses by function from 1 July 2017 to 30 June 2022. As a percentage of total expenses, each function has remained stable during this period, except for 'Other economic affairs'. During 2019–20 and 2020–21 the 'Other economic affairs' function included higher expenses due to the JobKeeper and cash flow boost payments administered by the Australian Taxation Office to support businesses impacted by the effects of the COVID-19 pandemic.

1.15 The function "Other purposes" includes interest expense attributable to debt issued by the Australian Office of Financial Management. The interest expense included in this function increased by 8.8 per cent, from $17.0 billion in 2017–18 to $18.5 billion in 2021–22.

Figure 1.2: Proportion of expenses of Government by function from 2017–18 to 2021–22



Note a: The 'Other purposes' function includes interest on Australian Government debt.

Note b: The 'Other economic affairs' function represents non-standard payments including storage, tourism promotion, labour market assistance to industry and industrial relations.

Note c: Other expenses include payments to: agriculture, forestry and fishing; fuel and energy; housing and community amenities; mining, manufacturing and construction; public order and safety; recreation and culture; transport and communications.

Source: ANAO analysis of the CFS from 2017–18 to 2021–22.

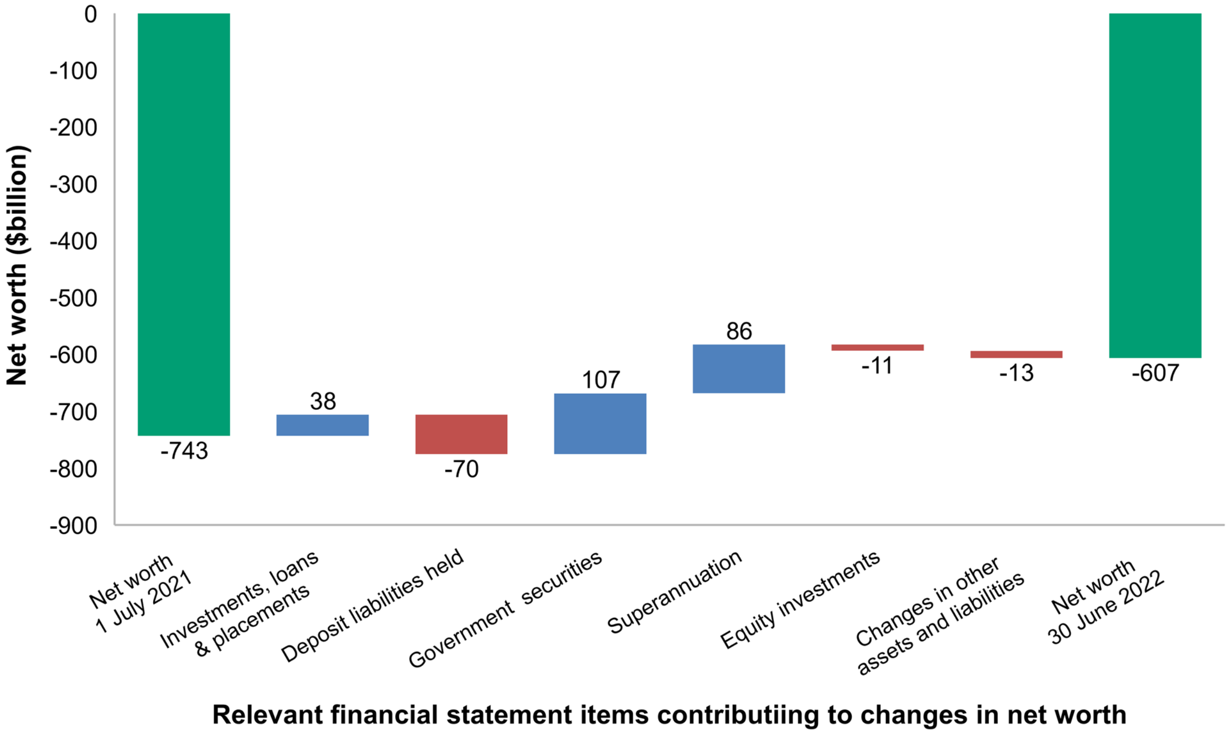
Australian Government's financial position

Net worth

Changes in the Australian Government's net worth from 1 July 2021 to 30 June 2022

1.16 The Australian Government's net worth deficiency reduced from $743.2 billion in 2020– 21 to $607.2 billion in 2021–22. Figure 1.3 provides an analysis of the movement in net worth from 1 July 2021 to 30 June 2022.

Figure 1.3: Changes in the Australian Government's net worth from 1 July 2021 to 30 June 2022



Source: ANAO analysis of the 2021–22 CFS.

1.17 Table 1.2 provides commentary on the main contributors to the change in net worth of the Australian Government identified in Figure 1.3.

Table 1.2: Explanation of key movements in net worth

Relevant financial statement item	Explanation for key movements in net worth
Investments, loans & placements	Investments, loans and placements comprise securities and other non-equity investments held for liquidity or policy purposes. The increase of $37.8 billion is mainly related to: • an increase of $16.5 billion in the value of collective investment vehicles mainly administered by the Future Fund Management Agency and other Australian Government Investment Funds (such as the Medical Research Future Fund) due to purchases and an improvement in private market investment values as the economy recovers from the impact of the COVID-19 pandemic; • an increase of $14.3 billion in IMF quota and SDR holdings; and

Relevant financial statement item	Explanation for key movements in net worth
	• an increase of $3.6 billion of investments due to the Reserve Bank of Australia purchasing government securities (non-Australian Government) as part of monetary policy measures.
Deposit liabilities held	Deposit liabilities held represent the exchange liabilities reported by the RBA. The RBA operates and maintains the interbank settlement system, the 'Reserve Bank Information and Transfer System' (RITS). RITS facilitates the settlement of interbank obligations arising from the range of payments used in Australia including electronic transfer, card, cheque and high value payments. The increase of $70.1 billion is primarily due to additional deposits by financial institutions in exchange settlement accounts with the RBA.
Government securities	The Australian Office of Financial Management (AOFM), on behalf of the Australian Government, undertakes debt management activities including the issuance of government securities, such as, Treasury Bonds, Treasury Indexed Bonds and Treasury Notes, to meet the Australian Government's financing objectives. The reported value of government securities for the Australian Government decreased by $107.4 billion. This is primarily driven by a decrease in the value of Treasury Bonds due to an increase in the discount rate applied in fair value calculations (reflecting an increase in the long-term interest rate yield).
Superannuation liabilities	The valuation of the Australian Government's defined benefit superannuation liability decreased by $85.5 billion primarily due to an increase in the discount rate that has been applied in the calculation of the liability. The discount rate applied in the calculation of superannuation liabilities is consistent with the long-term Australian Government bond rate which increased during the period. An increase in the discount rate has the effect of reducing the present value of estimated value of future superannuation liabilities.
Equity investments	Equity investments primarily comprise of the Future Fund's holdings of listed equities and listed managed investment schemes. There was a $11.4 billion decrease in the value of these investments due to an overall fall in the value of underlying equity markets.
Changes in other assets and liabilities	Changes in other assets and liabilities have a net impact of $13.1 billion. Significant movements in other assets and liabilities that increased net worth were: • an increase of $9.4 billion in other receivables and accrued revenue, primarily due to increases in taxes receivable, reflecting higher tax collections due to growth in employment; • an increase in specialist military equipment of $6.9 billion and an increase in land, buildings and other plant, equipment and infrastructure asset classes of $7.0 billion, primarily as a result of additions and revaluation adjustments; and • decrease of $3.1 billion in other employee liabilities mainly relating to the impact of increased discount rates. Significant movements in other assets and liabilities that reduced net worth were: • an increase in loans of $9.6 billion primarily due to higher promissory notes issued to the International Monetary Fund (IMF) and international financial institutions and higher loans by Export Finance Australia; • an increase in other interest bearing liabilities of $25.0 billion, partly due to the International Monetary Fund (IMF) Special Drawing Rights (SDR) liability, reflecting the Government's obligation to repay the IMF cumulative allocations of SDRs provided to Australia since joining the IMF. There were also unfavourable

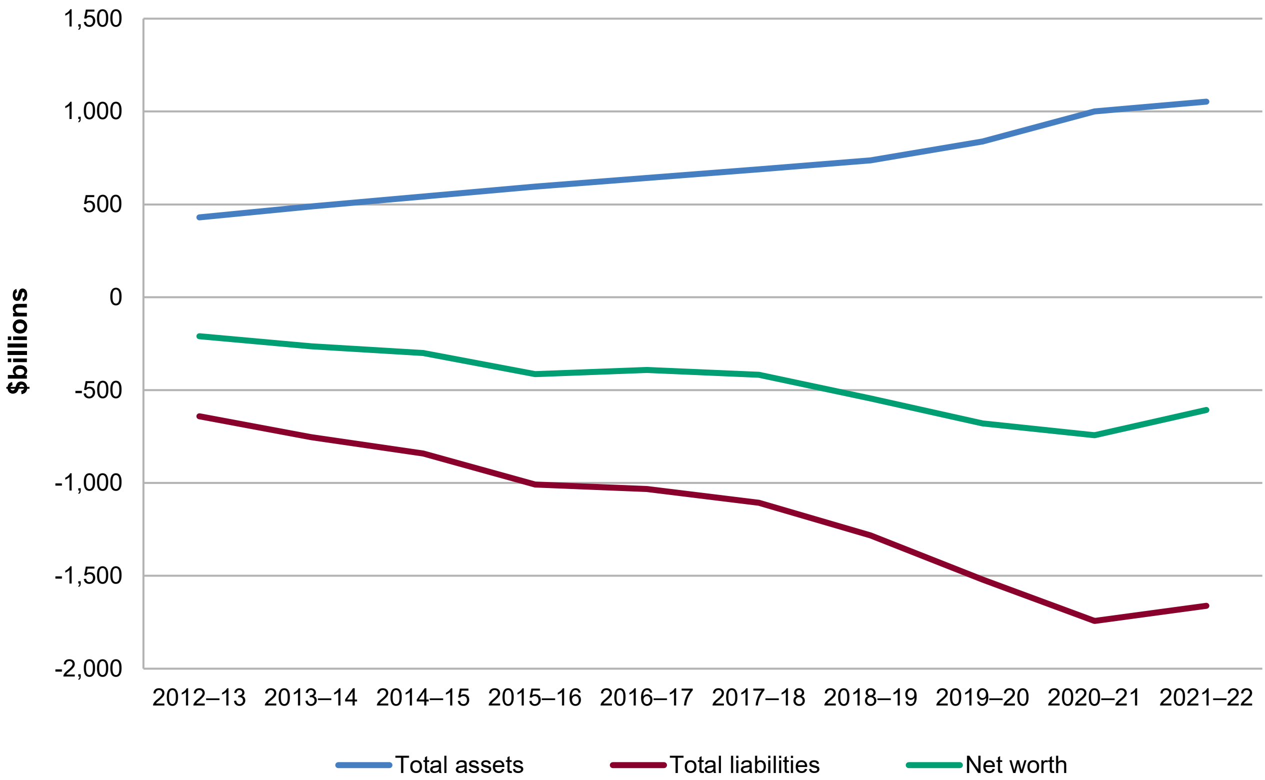
Relevant financial statement item	Explanation for key movements in net worth
	movements in the market for derivatives instruments and repurchase agreements; and • an additional $6.9 billion in Australian banknote currency on issue.

Source: ANAO analysis of the 2021–22 CFS.

Changes in the Australian Government's net worth from 2012–13 to 2021–22

1.18 Figure 1.4 illustrates the total assets, total liabilities and net worth of the Australian Government since 2012–13. Total assets increased from $430.8 billion to $1,053.4 billion, total liabilities increased from $641.4 billion to $1,660.5 billion and net worth has decreased from a deficit of $210.5 billion to a deficit of $607.2 billion.

Figure 1.4: Australian Government's total assets, total liabilities and net worth, from 2012–13 to 2021–22



Source: ANAO analysis of the CFS from 2012–13 to 2021–22.

1.19 The primary reasons for the increase in total assets include:

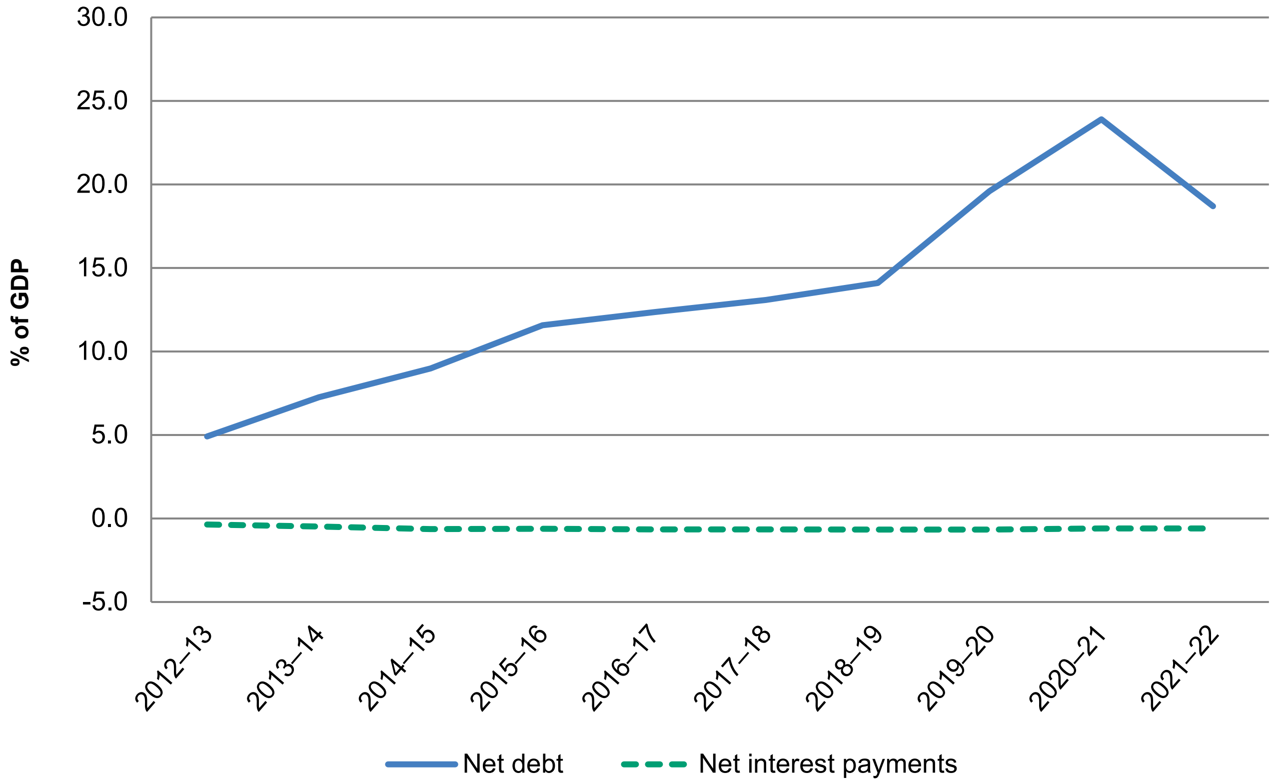
- investments, loans and placements and equity investments increased from $226.2 billion in 2012–13 to $639.9 billion in 2021–22. A major contributor to this class of assets is the Australian Government's holding of investments in the Future Fund and other Australian Government Investment Funds such as the Medical Research Future Fund; and
- advances paid and receivables, which increased from $72.8 billion in 2012–13 to $139.2 billion in 2021–22. This balance includes student loans and taxes receivable.

1.20 The increase in total liabilities is the result of:

- government securities, increased from $284.2 billion in 2012–13 to $576.5 billion in 2021– 22;
- deposit liabilities held, from $6.1 billion in 2012–13 to $426.1 billion in 2021–22; and
- employee liabilities, including superannuation liabilities and military compensation provision, from $210.8 billion in 2012–13 to $358.9 billion in 2021–22.

1.21 There has continued to be a steady growth in net debt as a percentage of Gross Domestic Product (GDP) since 2012–13 growing from 4.9 per cent to 18.7 per cent in 2021–22. The net debt as a percentage of GDP improved from 23.9 per cent in 2020–21. Net interest payments were $7.3 billion in 2021–22 compared to $12.9 billion in 2020–21, reflecting an increase in interest income.[3] Figure 1.5 illustrates the change in the indicators of the net financial position and net interest payments of the Australian Government since 2012–13 as a per cent of GDP.

Figure 1.5: Australian Government net debt position as per cent of GDP, from 2012–13 to 2021–22



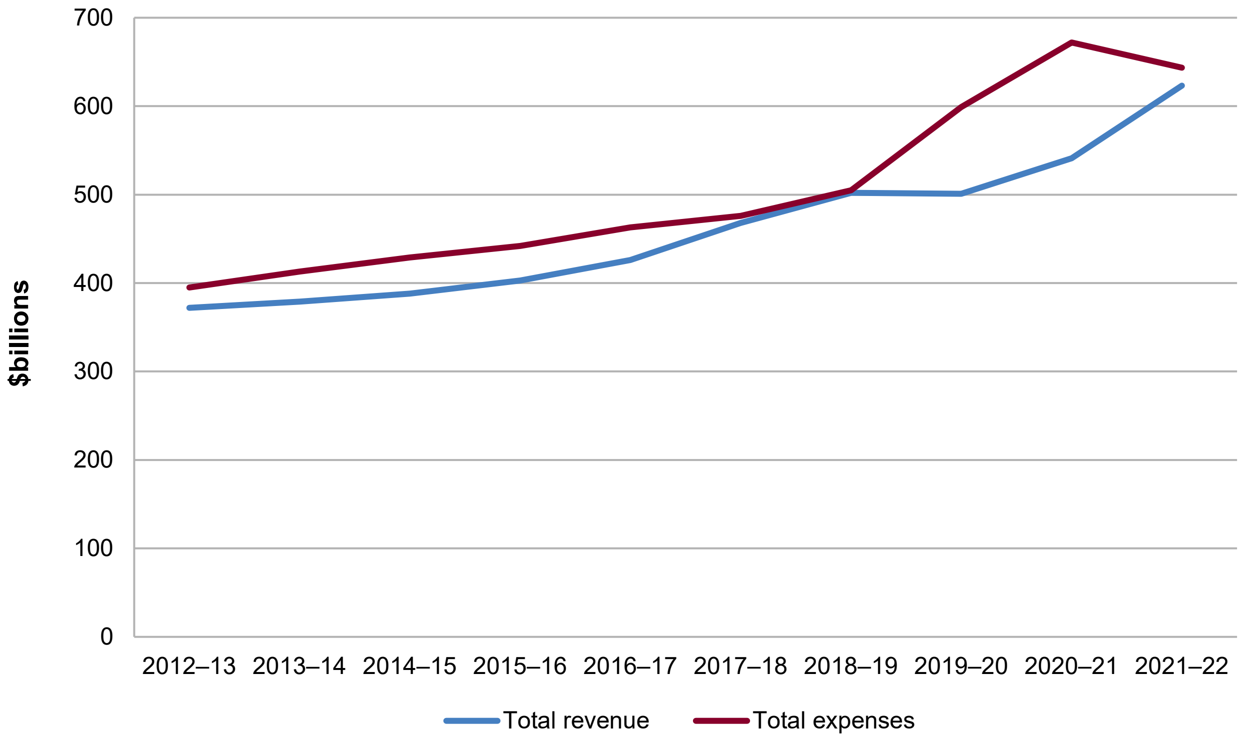
Source: ANAO analysis of 2021–22 commentary on the CFS.

Government securities

1.22 Government securities are primarily issued to meet the financing needs to the Australian Government and are issued to fund the operations of the Australian Government because expenses have been greater than revenue received. Figure 1.6 below illustrates the growth of Australian Government revenue and expenses over the period 2012–13 to 2021–22.

3 Net interest payments are interest paid less interest received by the Australian Government during the financial year. The total interest paid in 2021–22 was $17.8 billion (2020–21: $18.7 billion) and the interest received was $10.5 billion ($5.8 billion).

Figure 1.6: Australian Government revenue and expense for the period 2012–13 to 2021–22



Source: ANAO analysis of the CFS from 2012–13 to 2021–22.

1.23 The decrease in fair value of government securities reflects the impact of the increase in yields incurred on government securities. For financial reporting purposes the value of government securities liabilities is discounted by the yield on the security over the term of the security to settlement. As the yield on these securities increases, the present value of the liability decreases.

Superannuation liabilities and the Future Fund

1.24 The Australian Government has superannuation liabilities arising from obligations to employees for defined benefit superannuation schemes. Note 9C of the CFS provides information on the nature of these schemes. The total superannuation net liability for these schemes was $322.0 billion as at 30 June 2022 ($407.5 billion as at 30 June 2021). The significant balances of the reported net liability relate to the following schemes that are closed to new members:

- Commonwealth Superannuation Scheme ($71.2 billion);
- Public Sector Superannuation Scheme ($107.4 billion);
- Military Superannuation Benefits Scheme ($101.6 billion); and
- Defence Force Retirement and Death Benefits Scheme ($36.1 billion).

1.25 The primary reason for the decrease in the liability is the increase in the discount rate used in valuing the superannuation liability between 30 June 2021 and 30 June 2022.[4] The long term

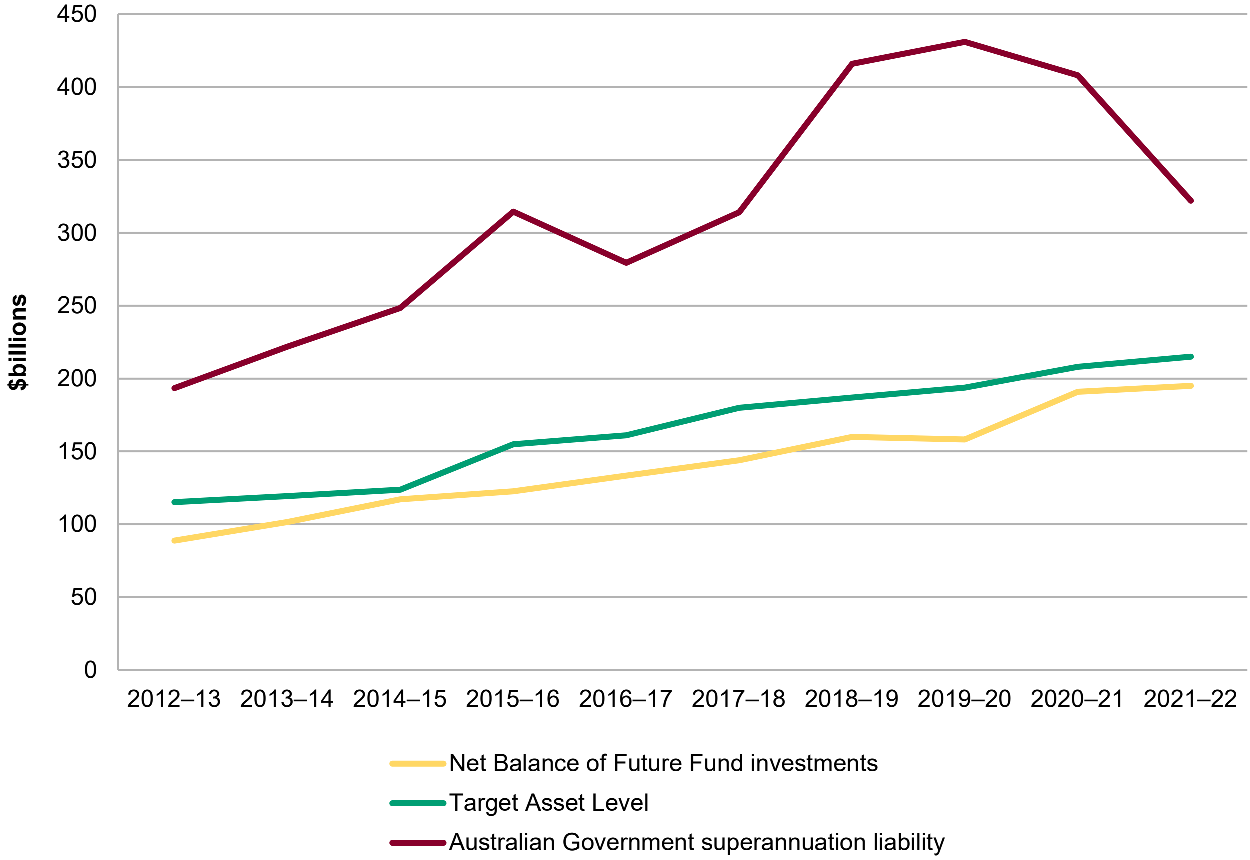
4 The discount rate applied in the estimation of the liability was 3.8–3.9% (2021: 2.0–2.3%). The increase in the discount rate was related to the increase in the market yield on Australian government securities during 2021–22.

nature of the superannuation liability means that small changes to the discount rate can have a large impact on the estimation of the value of the liability.

1.26 The Future Fund was established by the *Future Fund Act 2006* to strengthen the Australian Government's long-term financial position through the acquisition of financial assets and investments to assist in the discharge of the Australian Government's superannuation liabilities. The Future Fund Board of Guardians is responsible for deciding how to invest the assets of the Future Fund through balancing the risk aspects of each investment mandate to maximise returns.

1.27 Figure 1.7 provides an overview of the balances of the Australian Government superannuation liabilities, the net investment balance of the Future Fund and the target asset level (TAL) from 2012–13 to 2021–22.

Figure 1.7: Total value of Australian Government superannuation liabilities and Future Fund investments, and the target asset level, from 2012–13 to 2021–22



Source: ANAO analysis of the 2021–22 CFS and the Target Asset Level Declaration issued by the designated actuary of the Future Fund on 25 June 2021.

1.28 The TAL represents the best estimate of the assets required, together with investment earnings on those assets, which would be sufficient to meet future unfunded superannuation benefit payments. As such, the discount rate used to calculate the present value of future payments for TAL purposes represents the expected investment return on Future Fund assets. The Australian Government's superannuation liability included in Figure 1.7 reflects the present value of future unfunded superannuation benefits payments discounted using the Commonwealth bond rate, in accordance with Australian Accounting Standards.

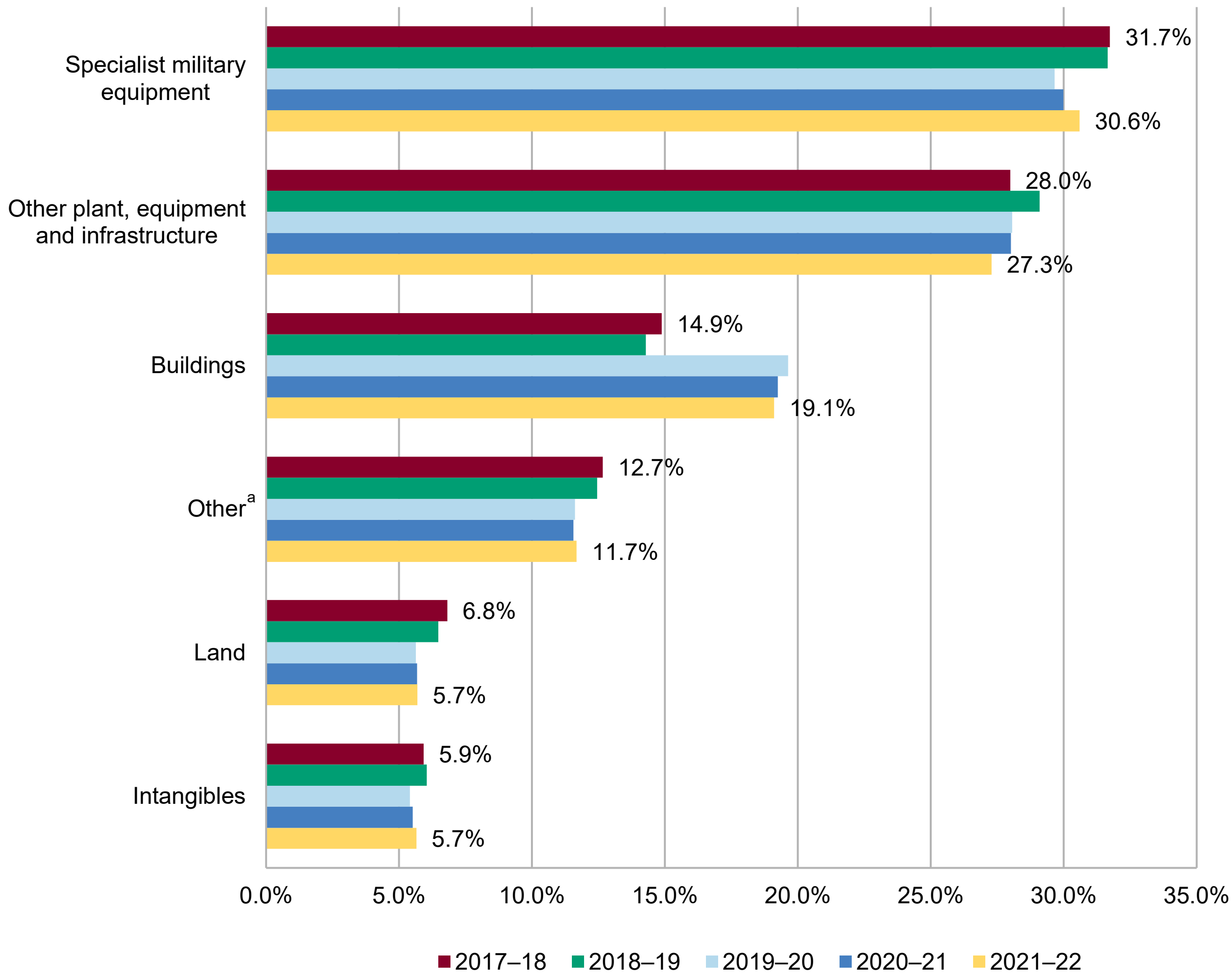
1.29 Figure 1.7 shows that the 2021–22 estimate of the TAL is $215.1 billion[5], which is above the current Future Fund net asset balance of $195.1 billion (2021: $191.4 billion). The *Future Fund Act 2006* permits drawdowns, to fund superannuation payments, from 1 July 2020 or when the balance of the Future Fund equals or exceeds the TAL. In 2017 the Australian Government announced it would delay drawdowns from the Future Fund until at least 2026–27.

Non-financial assets

1.30 Non-financial assets comprise the Australian Government's holdings of land, buildings, plant, equipment and infrastructure, heritage and cultural assets, investment properties and intangibles. The Australian Government's non-financial assets for the year ended 30 June 2022 were $265.6 billion ($248.1 billion for the year ended 30 June 2021). Figure 1.8 provides an analysis of non-financial assets by class from 1 July 2017 to 30 June 2022.

5 Designated Actuary's Report: Target Asset Level Declaration of 25 June 2021, available from https://www.finance.gov.au/sites/default/files/2021-07/2021%20Future%20Fund%20TAL%20Declaration.pdf [accessed on 23 November 2022].

Figure 1.8: Australian Government assets by class from 2017–18 to 2021–22



Note a: Other comprises inventory, heritage and cultural assets, investment properties and other non-financial assets.
Source: ANAO analysis of the CFS from 2017–18 to 2021–22.

1.31 During the period 2017–18 to 2021–22 there have been changes in the composition of the balance of non-financial assets, particularly in relation to specialist military equipment, other plant, equipment and infrastructure and buildings. These changes are:

- specialist military equipment declined from 31.7 per cent in 2017–18 to 30.6 per cent in 2021–22. Whilst the total proportion of the balance of total non-financial assets has decreased, the balance increased by $19.2 billion over the five-year period, reflecting capability acquisition and development and fair value changes; and
- buildings increased from 14.9 per cent in 2017–18 to 19.1 per cent in 2021–22. This change was due to the implementation of Australian Accounting Standard AASB 16 *Leases* on 1 July 2019, for which a right-of-use asset corresponding to the discounted future cash flows for rented premises was recognised for the first time.

1.32 The balance of intangibles includes computer software and other intangibles such as the Australian Government's portfolio of water entitlements. During the period 2017–18 to 2021–22, while the proportion of intangibles as a total of non-financial assets has remained stable, the value of intangibles has increased by 29.7 per cent from $11.6 billion in 2017–18 to $15.0 billion in 2021–22.

Australian Government loans and equity issued

Investments for policy purposes

1.33 The Australian Government reports fiscal aggregates including net operating balance and underlying cash. These aggregates exclude cash or accounting movements that are of an investment or financing nature, such as investments made for policy purposes and the fair value losses on these investments.

1.34 Investments made for policy purposes have elements of economic and social benefits in addition to providing commercial returns to the Australian Government. These investments are referred to as alternative financing arrangements.

1.35 The Parliamentary Budget Office (PBO) has noted that — 'under successive governments there has been a shift toward delivering more government policies using alternative financing arrangements rather than direct payments'.[6] The Joint Committee of Public Accounts and Audit (JCPAA) conducted an inquiry into Alternative Financing Mechanisms and released its report in March 2022.[7]

1.36 The JCPAA recommended that the Minister for Finance 'consider changes to improve transparency for equity investments consistent with proposed improvements identified by the PBO to budget reporting to assist Parliament in scrutinising investments for policy purposes. The Department of Finance has advised the JCPAA that options for enhancing the transparency of equity investments will be considered by the Government ahead of the 2023–24 Budget.

1.37 Segregating the commercial and non-commercial portions of the investments to better reflect the implications on key fiscal aggregates in the financial statements would also be beneficial. This would improve transparency on where the Government for policy purposes, is investing and seeking a return on equity, which is lower than what the market would expect to proceed with the investment.

1.38 Two key items included in investments made for public policy purposes are investments in public corporations and concessional loans. The accounting treatment of investments in public corporations and concessional loans is discussed below.

Investment in public corporations (GGS)

1.39 Investments in Australian Government controlled entities has increased. Consistent with reporting requirements, these investments do not impact the net operating balance of underlying cash.

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6 Parliamentary Budget Office Report no.1/2020, available from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Budget_Office/Publications/Research_reports/Alternative_financing_of_government_policies [accessed 23 November 2022].

7 Joint Committee of Public Accounts and Audit Report 490, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Public_Accounts_and_Audit/Alternativefinancing/Report [accessed 23 November 2022].

1.40 The impact of the equity injections or operations of these entities is not reflected in the net operating balance unless dividends are received from the entities. The ongoing valuations of these entities are reflected in net worth. If the valuation of these entities deteriorates (for example as a result of accumulating losses or the valuation of future cash flows associated with assets procured through equity injections being less than their purchase costs), the deterioration in the position will be reflected in the GGS' net worth but not impact on the net operating balance even if the deterioration was a predictable result of a non-commercial policy decision.

1.41 Most of these investments are in entities that provide a positive real return[8] to the GGS over the life of the investment and are classified as equity injections. Examples of these types of equity injections are demonstrated by:

- WSA Co Limited is constructing and operating the Nancy Bird-Walton Western Sydney International Airport. The Australian Government is providing up to $5.3 billion in equity injections to the entity to construct the airport. There is an expectation that the investment will make a positive return over the long-term following the completion of the construction and commencement of the airport operations; and
- Australian Rail Track Corporation Limited (ARTC) is undertaking the construction of the Melbourne to Brisbane Inland Rail line. The Australian Government will provide up to $14.5 billion in equity injections to the entity to construct the Inland Rail Line which will be operated in addition to the entity's existing business units.

1.42 ARTC's accounting policy for the assets constructed in relation to the Inland Rail Line is to impair the expenditure based on the forecast net present value of the project to nil value on the construction of Inland Rail. This impairment is based on the judgement that that the discounted future net cash flows from the operation on the Inland Rail are less than the cost of construction. As the injection is made to an existing entity that achieves a real positive rate of return from existing operations, the injection of equity is treated as an investment. As a result, changes in value of the entity are reflected as a change in net worth, but the cost of making the investment is not reflected in the net operating balance or underlying cash balance.

1.43 Table 1.3 shows investments made in Australian Government entities primarily involved in the construction of non-financial assets where the equity contributed is greater than $400.0 million.

Table 1.3: Commonwealth entities contributed equity, net assets and GGS fair value

Entity	Contributed equity $000	Net assets (equity deficiency) $000	Fair value of investment (GGS) $000
Australian Naval Infrastructure Pty Ltd	1,617,788	1,439,649	1,439,649
Australian Rail Track Corporation	5,054,830	2,645,857	2,648,100

8 Expected return on capital must be at least equal to the long-term inflation rate. Department of Finance Resource Management Guide 308 *Commonwealth Investments Resource Management Guide* [Internet], available from https://www.finance.gov.au/government/commonwealth-investment-framework/commonwealth-investments-toolkit/equity [accessed 1 December 2022].

Entity	Contributed equity $000	Net assets (equity deficiency) $000	Fair value of investment (GGS) $000
National Intermodal Corporation Limited	514,349	382,391	382,391
NBN Co Limited	29,500,000	(2,279,000)[a]	19,700,000
Snowy Hydro Limited	2,277,100[b]	3,874,900	8,250,000
WSA Co Limited	2,384,268	978,954	1,478,954

Note a: The net equity deficiency reported by NBN Co is mainly due to an increase in the company's borrowings for medium term notes and private debt during 2021–22.

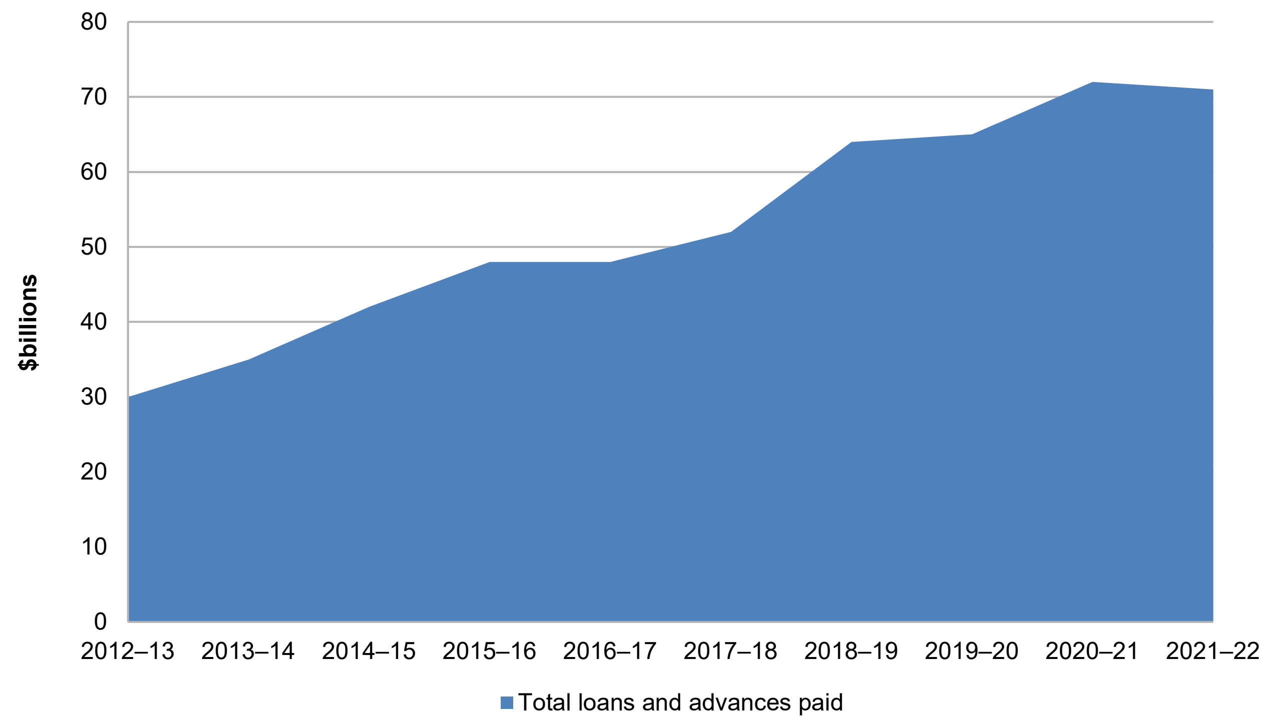
Note b: Snowy Hydro Limited is currently receiving contributed equity from the Australian Government for the delivery of the Snowy 2.0 hydro-electricity generation project and the development of a 660 megawatt power station at Kurri Kurri (Hunter Power Project). The balance of contributed equity comprises $816.1 million recognised prior to the Australian Government taking full ownership of the company in July 2018. The remaining contributed equity relates to contributions by the Australian Government after the purchase date.

Source: ANAO analysis of 2021–22 CFS and entity financial statements.

Concessional loans

1.44 There has been a sustained growth in loans provided by the Australian Government, with a large proportion of these loans being concessional. Concessional loans are loans provided on favourable terms, for example, the interest rate may be below the current market rate for loans of similar risk. Figure 1.9 illustrates the growth in loans and advances paid during the period 2012–13 to 2021–22.

Figure 1.9: Australian Government advances paid from 2012–13 to 2021–22



Source: ANAO analysis of the CFS from 2012–13 to 2021–22.

1.45 The Higher Education Loan Program (HELP) is the largest Australian Government concessional loan program (part of student loans of $32.3 billion in 2012–13 to $52.0 billion in

2021–22) which is recorded by the Department of Education, Skills and Employment (DESE). HELP provides financial assistance to students through income contingent loans to remove up-front const barriers to tertiary education.

Administration of Concessional Loans

1.46 There are three Australian Government entities that are established for the purpose of issuing concessional loans and have made advances or commitments greater than $500 million in 2021–22, in addition to the HELP loans administered by DESE and significant loan balances held by AOFM relating to historic State financing arrangements. The Commonwealth entities are as follows:

- National Housing Financing and Investment Corporation (NHFIC) was established as a corporate Commonwealth entity on 30 June 2018. NHFIC provides finance to the community housing sector and uses Export Finance Australia (EFA) to provide loan management services and other administrative support. During 2021–22, NHFIC raised $198.0 million through a bond issue to fund the significant portion of the loans it issued. NHFIC reports the loan transactions in its financial statements.
- Regional Investment Corporation (RIC) was established as a corporate Commonwealth entity on 8 March 2018. The RIC administers farm business loans and engages Bendigo Bank as a third-party provider to provide loan management services. The loan balances are reported by the Department of Agriculture, Water and the Environment.
- Northern Australia Infrastructure Facility (NAIF) was established as a corporate Commonwealth entity on 1 July 2016. The primary objective of the entity is to assess infrastructure projects loans. The NAIF utilises the services of EFA to provide back office administrative support. Similar to the RIC, NAIF does not report the loan balances in its financial statements. The infrastructure project loans are reported by the Department of Infrastructure, Transport, Regional Development and Communications.

1.47 During the 2021–22 financial year, NHFIC, RIC and NAIF approved the commitment of loans, or made loan advances, as set out in Table 1.4 below. The value of loan commitments and advances made by these entities increased during 2021–22 compared with 2020–21.

Table 1.4: Loan transactions during 2021–22

Entity	Summary of loan transactions 2021–22[a]
Northern Australia Infrastructure Facility	$752.0 million of commitments approved $457.7 million in loans were advanced
National Housing Finance Investment Commission	$509.3 million in commitments approved $98.0 million in loans were advanced
Regional Investment Corporation	$0.2 billion of commitments approved $1.67 billion in loans were advanced

Note a: Loan commitments represent the number and value of loans that were approved during the period. Loan advances represent the amount of funds that were advanced in respect of new or previously approved loan commitments during the period.

Source: ANAO analysis provided by entities and 2021–22 annual reports.

Definitions used in this chapter

1.48 Table 1.5 below provides a glossary of the key fiscal aggregates and other terminology used in this chapter to explain the Australian Government's net worth and financial performance.

Table 1.5: Definitions of terms used

Name	Definition
Net operating balance	This is calculated as income from transactions minus expenses from transactions. It is equivalent to the change in net worth arising from transactions.
Operating result	Income less expenses, excluding the components of other comprehensive income. Also known as 'profit and loss'. The operating result includes the net operating balance plus items including net write-down of assets, net gains/(losses) from the sale of assets, net foreign exchange gains/(losses), net interest on derivatives gains/(losses), net fair value gains/(losses) and net other gains/(losses).
Other economic flows	Changes in the volume or value of an asset or liability that do not result from transactions (e.g. revaluations).
Comprehensive result	Total change in net worth before transactions with owners in their capacity as owners. Also known as 'total change in net worth'.
Fiscal balance	The financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position. Also known as net lending/ (borrowing).
Net worth	The net worth of the Australian Government is defined as assets less liabilities.
Net debt	Net debt is equal to gross debt minus the stock position in financial assets corresponding to debt instruments.
Net financial worth	Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt in that it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.
Government securities	All securities issued by the Australian Government at tenders conducted by the AOFM. They comprise Treasury Bonds, Treasury Notes and Treasury Indexed Bonds.
Investments for policy purposes	Acquisitions of financial assets for policy purposes are distinguished from investments by the underlying government motivation for acquiring the assets. Where assets are acquired for the purpose of implementing or promoting government policy (e.g. loans to assist industry development), the acquisition of the assets is treated as being for policy purposes. Acquisition of financial assets for policy purposes includes government policies encouraging the development of certain industries or assisting citizens affected by natural disaster.
Cash surplus/ deficit	Net cash flows from operating activities plus net cash flows from acquisition and disposal of non-financial assets less distributions paid less the value of assets acquired under finance leases and similar arrangements.
Underlying cash balance	Net cash receipts from operations (excluding net Future Fund earnings), less net capital investment (including by finance lease).

Source: Australian Bureau of Statistics (2015). Australian System of Government Finance Statistics: Concepts, Sources and Methods; AASB 101 *Preparation of Financial Statements*, paragraph 5 and 7; AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, Appendix A; and Reserve Bank of Australia (2017). Glossary RBA. [Internet], available from https://www.rba.gov.au/glossary/ [accessed 23 November 2022].

2. Financial audit results and other matters

Chapter coverage

This chapter provides a summary of the:

- 2021–22 auditor's reports issued by the ANAO;
- observations regarding entities' internal control environments;
- unadjusted audit differences reported to entities during 2021–22;
- the reporting of key audit matters (KAM); and
- findings identified during the course of the 2021–22 financial statements audits of entities.

This chapter also provides analysis of the:

- quality and timeliness of financial statements preparation;
- timeliness of entities' financial reporting;
- financial sustainability of material entities; and
- a number observations across the sector relating to: changes to the protective security policy framework commencing 1 July 2022 and removal of user access; reporting of executive remuneration; arrangements for performance bonuses; related party transactions; governance over shared services arrangements; and intangible assets.

Conclusion

The ANAO issued 237 unmodified auditor's reports, including the Australian Government's Consolidated Financial Statements (CFS), and one modified auditor's report as at 2 December 2022. For the majority of entities, at the completion of the final audits, key elements of internal control were operating effectively to provide reasonable assurance that the entities were able to prepare financial statements that were free from material misstatement. For one entity, a significant finding and a number of moderate findings were identified which reduced the level of confidence and assurance that could be placed on key elements of internal control.

A quality financial statements preparation process will reduce the risk of inaccurate or unreliable reporting. Seventy-two per cent of entities delivered financial statements in line with an agreed timetable. The ANAO noted an increase in findings relating to processes supporting financial statements preparation; a decline in the delivery of draft financial statements in line with entity financial statements project plans; an increase in the number of unadjusted audit differences; and an increase in overall total value of unadjusted audit differences reported to entities in 2021–22 compared to 2020–21.

The financial statements were finalised and auditor's reports issued for 86 per cent of entities within three months of financial year-end. On average it took 44 days after the auditor's report was issued for annual reports to be tabled in Parliament. Eighty-six per cent of entities that are required to table an annual report in Parliament tabled prior to or on the date that the portfolio's Senate estimates hearing commenced. Of the entities required to table an annual report, eight per cent had not tabled an annual report as at 2 December 2022.

In 2021–22 a total of 57 key audit matters (KAM) were included across the 25 entities included in Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities*.

An analysis of the operating results and balance sheet positions for material entities concluded that the financial sustainability for the majority of those entities was not at risk. Nevertheless, there would be benefit in the government developing performance targets or benchmarks. This would enable an entity to assess its own financial sustainability against agreed parameters over time, and against like entities.

A total of 175 audit findings were reported to entities as a result of the 2021–22 financial statements audits. These comprised one significant, 27 moderate, 132 minor findings and 15 legislative findings. The highest number of significant and moderate findings are in the categories of: IT security management and user access; and accounting and control of non-financial assets.

Of the 15 legislative findings reported, three were significant legislative breaches, one of which has remained open since 2012–13.

The ANAO identified that several entities have not implemented effective controls relating to the timely removal of user access. This is consistent with issues previously reported. The ANAO assessed termination controls in place at entities and found that the majority of entities assessed do not have an effective control to monitor access or activity in entities' systems after user cessation. The weaknesses identified by the ANAO pose an increased risk of unauthorised access to systems and data.

The ANAO reviewed the executive remuneration disclosures in entity annual reports compared to the audited financial statements. Of the 180 entities required to table annual reports which include executive remuneration disclosures, eight entities had variances between the disclosures within the financial statements and the annual report disclosures. Of the eight entities, three did not disclose the difference in the annual report.

The ANAO analysed the application of the Australian Public Service Commission's Performance Bonus Guidance which established revised principles governing the application and payment of performance bonuses for commonwealth entities and companies. Twenty-four of 46 entities which paid bonuses at the time the Guidance was released plan to continue paying bonuses into the future.

The ANAO identified that of the 247 entities that prepared financial statements 115 (47 per cent) had not established a formal policy relating to the identification of related party transactions. Formal accounting policies, risk assessments and procedures related to the identification of related party transactions should be implemented by all entities.

Entities may enter a shared service arrangement for the delivery of corporate support services such as human resources (HR), information technology, financial and payment processing. Nineteen entities provide shared services across the Australian Government. The ANAO has identified that improvements can be made in areas of policy, monitoring and reporting, and risk assessments for the providers and receivers of shared services.

The ANAO assessed whether the entities with the 10 largest computer software balances contributing to the CFS have considered implications arising from the transition to cloud based software. All entities reviewed by the ANAO had appropriate policies for capitalisation of intangible assets.

Introduction

2.1 The Auditor-General is required to complete the financial statements audits of all Australian Government entities and controlled subsidiaries on an annual basis. This chapter summarises the results of the 2021–22 financial statements audits and provides commentary on specific topics which relate to the governance and administration of entities.

Summary of 2021–22 auditor's reports

2.2 This report is based on the portfolio arrangements established by the Administrative Arrangements Order of 18 March 2021 incorporating amendments up to 30 June 2022. Administrative Arrangement Orders commencing after 30 June 2022 including the Administrative Arrangement Orders signed 1 June 2022 and 23 June 2022 to commence 1 July 2022 are not taken into consideration. Additional detail relating to the financial reporting frameworks applicable to the Australian Government, and the form and content of auditor's reports is outlined in appendices 3 and 4.

2.3 A comparison of the number and type of auditor's reports issued by the Auditor–General and his delegates in 2020–21 and 2021–22 (as at 2 December 2022), including the CFS is summarised at Table 2.1.

Table 2.1: Summary of auditor's reports issued and outstanding as at 2 December 2022

Auditor's report	2021–22	2020–21
Unmodified	237[a]	241
Included an emphasis of matter	6[a]	7
Included a Report on other legal and regulatory requirements	0	0
Modified	1[b]	1[b]
Auditor's reports issued	238	242
Not yet issued	10[c]	3[d]
Total number of financial statements audits[e]	248[ef]	245 [e]

Note a: Six of the unmodified auditor's reports included an emphasis of matter. The six entities are: ANSTO Nuclear Medicine Pty Ltd, Gagudju Crocodile Hotel Trust, Northam Solar Project Partnership, Department of Veterans' Affairs, Seafarers Safety, Rehabilitation and Compensation Authority and Kakadu Tourism (GCH) Pty Ltd. For details of each emphasis of matter refer to Chapter 4.

Note b: National Australia Day Council. For further details of the current year qualification, refer to Chapter 4, paragraphs 4.12.44– 4.12.49.

Note c: As at 2 December 2022, the 2021–22 financial statements audits had not been finalised for the following entities: Anindilyakwa Land Council, Army and Air Force Canteen Service, Australian Secret Intelligence Service, Bundanon Trust, Grains Australia Limited, Royal Australian Air Force Welfare Trust Fund, Royal Australian Navy Central Canteens Board, Wheat Quality Australia, Win with Navy Ltd, and Tiwi Land Council.

Note d: As at 19 November 2021, the 2020–21 financial statements audit had not been finalised for the following entities: Anindilyakwa Land Council, Australian Secret Intelligence Service and Tiwi Land Council. These audits were subsequently finalised by the ANAO.

Note e: The Consolidated Financial Statements was included in the total number of financial statements audits.

Note f: On 30 November 2022, the ANAO issued a new 2020–21 Auditor's report for the Royal Australian Air Force Welfare Recreational Company as the company re-presented its financial statements for audit. For further details refer to paragraph 2.94.

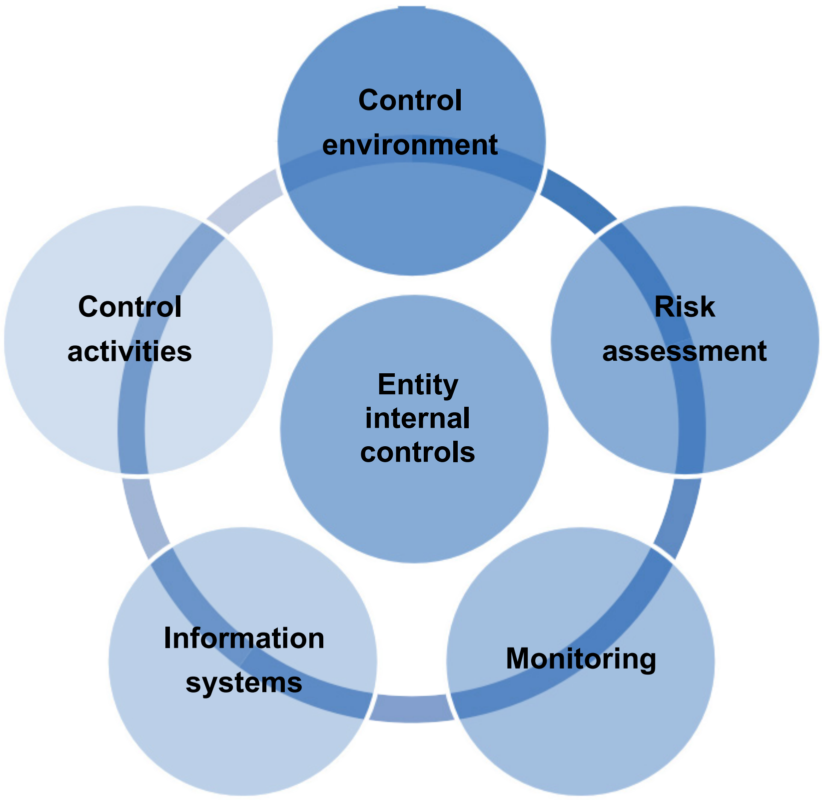
Source: 2020–21 and 2021–22 ANAO auditor's reports.

2.4 The Norfolk Island Health and Residential Aged Care Service (NIHRACS) is deemed to be a Commonwealth controlled entity. NIHRACS is a body corporate with perpetual succession under the *Norfolk Island Health and Residential Aged Care Act 1985*, a Norfolk Island continued law under section 16A of the *Norfolk Island Act 1979 (Cth)*. The *Public Governance, Performance and Accountability Act 2013* does not apply to NIHRACS and as a result the Auditor-General is not appointed as the auditor under the NIHRACS enabling legislation. The ANAO undertakes the audit as an audit arising from a request by the Secretary of Infrastructure made under section 20 of the *Auditor-General Act 1997*. The NIHRACS financial statements audit has not been completed for 2019–20 due to delays in the finalisation of the financial statements by NIHRACS. The financial statements for 2020–21 and 2021–22 have not been presented for audit.

Internal control environment

2.5 The ANAO uses the framework in ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* to consider the impact of elements of an entity's internal controls supporting the preparation of financial statements. This approach provides a basis for designing and implementing responses to the assessed risk of material misstatement. Figure 2.1 below outlines these elements.

Figure 2.1: Elements of entity internal controls



Source: ASA 315 *Identifying and assessing the risk of material misstatement through understanding the entity and its environment*, paragraph A59.

2.6 In assessing the effectiveness of an entity's control environment to support the preparation of financial statements, the ANAO examines aspects of entities' governance structures. The ANAO considers whether management has established frameworks and processes that promote positive attitudes, awareness and actions concerning the entity's internal controls and the importance of these to the entity. The main elements reviewed include: governance structures relevant to the preparation of the financial statements; audit committee and assurance arrangements; and systems of authorisation, recording and procedures. For information relating to the assessment of the removal of user access, refer to paragraphs 2.98 to 2.106.

2.7 An effective internal control framework provides a level of assurance that entities are able to prepare financial statements that are free from material misstatement. For the majority of entities, key elements of internal control were operating effectively, providing the ANAO with reasonable assurance that the prepared financial statements were free from material misstatement.

2.8 The ANAO identified a significant finding and a number of moderate findings for one entity (2020–21: 2 entities) which reduced the level of confidence and assurance that could be placed on the key elements of internal control.[9] For 16 entities (2020–21: 11 entities), apart from moderate audit findings, the key elements of internal control were operating effectively to support the preparation of financial statements free from material misstatement.[10]

2.9 These significant and moderate audit findings are outlined at Chapter 4. An analysis of the all audit findings identified by the ANAO in 2021–22 including the categories and nature of the findings identified is available at paragraph 2.58 - 2.95.

Quality and timeliness of financial statements preparation

2.10 The primary purpose of financial statements is to provide relevant and reliable information to users about a reporting entity's financial position. Public sector auditors have additional responsibilities to report on compliance with law, regulation or other authority. As a result, their review of internal control may be broader and more detailed.[11]

2.11 The ANAO applies these objectives in undertaking financial statements audits and considers areas that may give rise to risks of non-compliance with mandatory reporting requirements, or risks relating to the effectiveness of internal control when planning and performing the audit. Financial statements preparation is often a complex task, involving compliance with a number of requirements established by Australian accounting standards and the Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.

2.12 In order to provide relevant and reliable financial information to the users, entities should prepare quality financial statements in a timely manner to support entities to meet legislative reporting obligations including the tabling of annual reports. The preparation of quality financial statements will be evidenced by adherence to a well-defined financial statements preparation

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9 The entity is: Department of Veterans' Affairs.

10 The 16 entities are: Administrative Appeals Tribunal, Attorney-General's Department, Australian Nuclear Science and Technology Organisation, Australian Taxation Office, Clean Energy Regulator, Departments of: Agriculture, Water and Environment; Defence; Education, Skills and Employment; Health; Infrastructure, Transport, Regional Development and Communications; Social Services; and the Treasury, National Disability Insurance Agency, NDIS Quality and Safeguards Commission, Northern Land Council and Royal Australian Air Force Veterans' Residences Trust Fund.

11 Australian Auditing Standard ASA315 *Identifying and Assessing the Risks of Material Misstatements through Understanding the Entity and its Environment:* paragraph A 72.

timetable with minimal adjustments required to financial statements throughout the audit process.

2.13 Each year the ANAO reports on the quality of financial statements preparation to entities. At the completion of the 2021–22 financial statements audits, the ANAO reported nine minor findings relating to processes supporting financial statements preparation (2020–21: eight minor findings). Analysis of the financial statements preparation process findings identified is available at paragraph 2.60.

2.14 In 2021–22, the ANAO also assessed the timeliness of financial statements preparation. Timeliness in preparation was assessed by comparing the date of delivery of the financial statements to agreed timeframes. The timeframe was established by entities and agreed with audit teams for the delivery of financial statements.

2.15 Timeliness in financial statements preparation in 2021–22 declined compared to 2020–21, with delivery of financial statements in line with the agreed timeframes achieved by 65 per cent of entities (2020–21: 72 per cent). A further 18 per cent of entities delivered financial statements within one week of the agreed timeframe (2020–21: 13 per cent). The remaining 17 per cent of entities provided their financial statements on average 16 working days after the agreed timeframe (2020–21: 16 days).

2.16 The quality of financial statements preparation was assessed by considering the number and value of audit differences identified. Throughout the financial statements audit process, audit differences other than those considered trivial are communicated to entities. Entities are encouraged to adjust all audit differences.[12] The total number of audit differences identified in 2021–22 increased compared with 2020–21. A total of 225 audit differences were identified in 2021–22 (2020–21: 213).

2.17 A key indicator of the quality of entity financial statements is whether audit differences identified are adjusted by entities. Of the 225 audit differences identified, 100 or 44 per cent remained unadjusted by entities (2020–21: 91 or 41 per cent). Of these unadjusted differences, 55 related to material entities (2020–21: 50 material entities).[13] The unadjusted differences, both in aggregate and individually, did not result in a material misstatement to the financial statements of the audited entities in 2021–22.

2.18 Table 2.2 shows that the net value impact of unadjusted audit differences compared to prior year has decreased for liabilities and increased for expenses, revenue, assets, and equity. There has been a large increase in debit and credit impact compared to 2020–21 for assets. This was largely driven by adjustments to non-financial assets identified in the audit of the Department of Defence (this is a key area of focus for the ANAO's financial statements audit of the department).

12 ANAO Audit Manual, 111 Evaluating Misstatements: section 111.60: A misstatement is clearly trivial if it is clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. Available at: https://www.anao.gov.au/work/audit-manual/fsasg-specific [accessed 12 November 2022].

13 Material entities are those entities and companies that comprise 99 per cent of revenues, expenses, assets and liabilities of the total General Government Sector. All Departments of State, Public Financial Corporations and Public Non-financial Corporations are classified material.

Table 2.2: Total value of unadjusted audit differences ($ million)

	2021–22			2020–21		
	Debit impact	Credit impact	Net impact	Debit impact	Credit impact	Net impact
Revenue	543.6	(833.7)	(290.1)	577.9	(353.5)	224.5
Expenses	809.8	(464.2)	345.7	526.9	(457.3)	69.6
Assets	1,181.4	(871.0)	310.4	326.2	(644.9)	(318.8)
Liabilities	49.4	(83.2)	(33.9)	345.9	(276.2)	69.7
Equity	332.2	(664.3)	(332.1)	514.4	(559.5)	(45.0)

Source: ANAO analysis of entity closing reports.

2.19 The Department of Finance's (Finance) *Financial Statements Better Practice Guide* indicates that 'better practice entities will promote an environment in which the correction of errors or misstatements is seen as an appropriate course of action, regardless of whether or not they are considered to be material'.[14]

2.20 The ANAO also considers the impact of the unadjusted audit differences on the CFS. Of the unadjusted differences identified in the 2021–22 financial statements audits, a total of seven adjustments relating to two entities were reported to Finance who prepare the CFS and were subsequently adjusted. The two entities were the Australian Taxation Office and the Department of Defence.

2.21 The ANAO reported an increase in findings related to processes supporting financial statements preparation, a decline in the delivery of draft financial statements in line with entity financial statements project plans, an increase in the number of unadjusted audit differences and an increase in overall total value of unadjusted audit differences reported to entities in 2021–22 compared to 2020–21. These factors indicate there remains an opportunity to improve quality assurance frameworks over financial statements processes.

2.22 The findings indicate that there are opportunities for entities to improve quality assurance frameworks, to ensure that significant accounting policies, estimates and adjustments underpinning financial statements are reviewed as early as possible in the preparation process. In their assurance role, audit committees are encouraged to actively support management through the critical evaluation of accounting papers and holding entities to account for delivering on agreed timetables and taking up all identified audit adjustments.

Timeliness of financial reporting

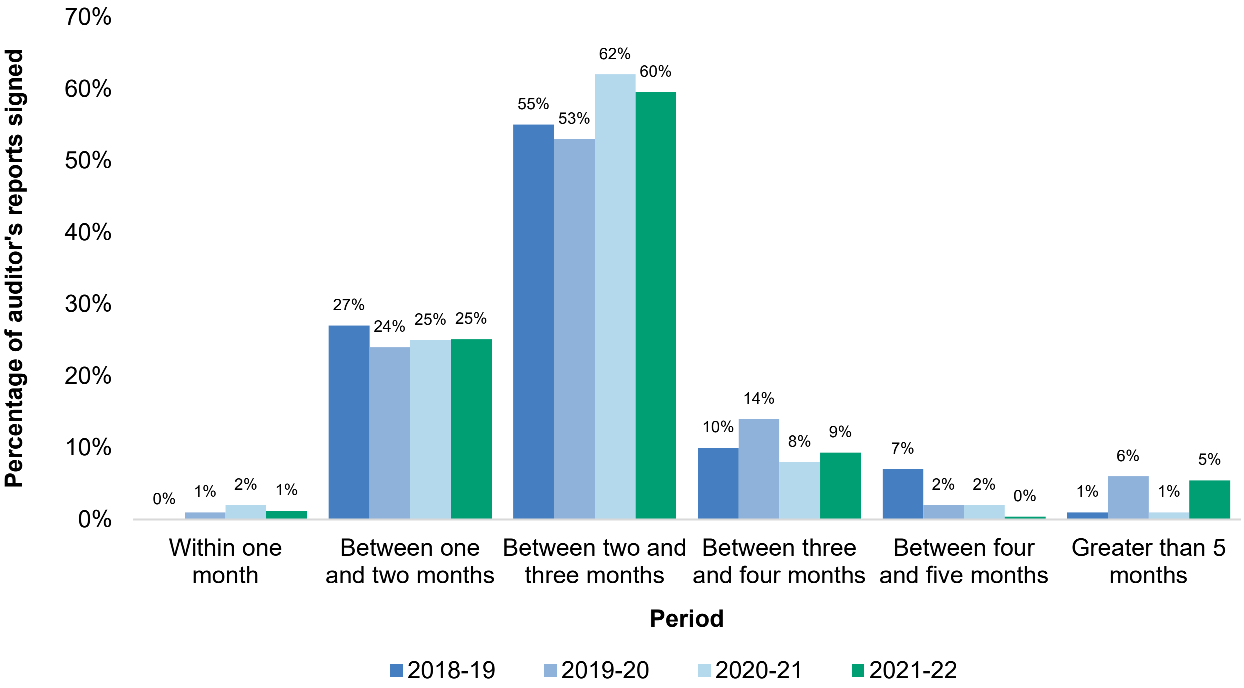
2.23 The finalisation of financial statements preparation and audit is marked by the signing of financial statements and associated auditor's report.

2.24 Figure 2.2 shows that the percentage of entities with financial statements and the associated auditor's report signed within three months of the reporting year-end has decreased

14 Department of Finance *Financial Statements Better Practice Guide* section 7.2.3 available from https://www.finance.gov.au/government/financial-reporting-and-accounting-policy/financial-statements-better-practice-guide [accessed 30 November 2022].

from 2020–21. Eighty-six per cent of financial statements were signed and associated auditor's reports issued, within three months of year-end compared to 89 per cent in 2020–21. The ANAO issued 98 per cent of auditor's reports within two business days of the signing of the financial statements by the accountable authority, which is unchanged compared to 2020–21.

Figure 2.2 Timeframes for auditor's report signing from the end of financial year



Source: ANAO data

2.25 Annual reports inform the Parliament, the community and other stakeholders about the performance of entities. The publication of the annual report containing the audited financial statements is a key means to meet accountability and legislative obligations. Of the 247 mandated financial statements audits, 185 entities are required to present annual reports to the responsible minister under the *Public Governance, Performance and Accountability Act 2013*.[15]

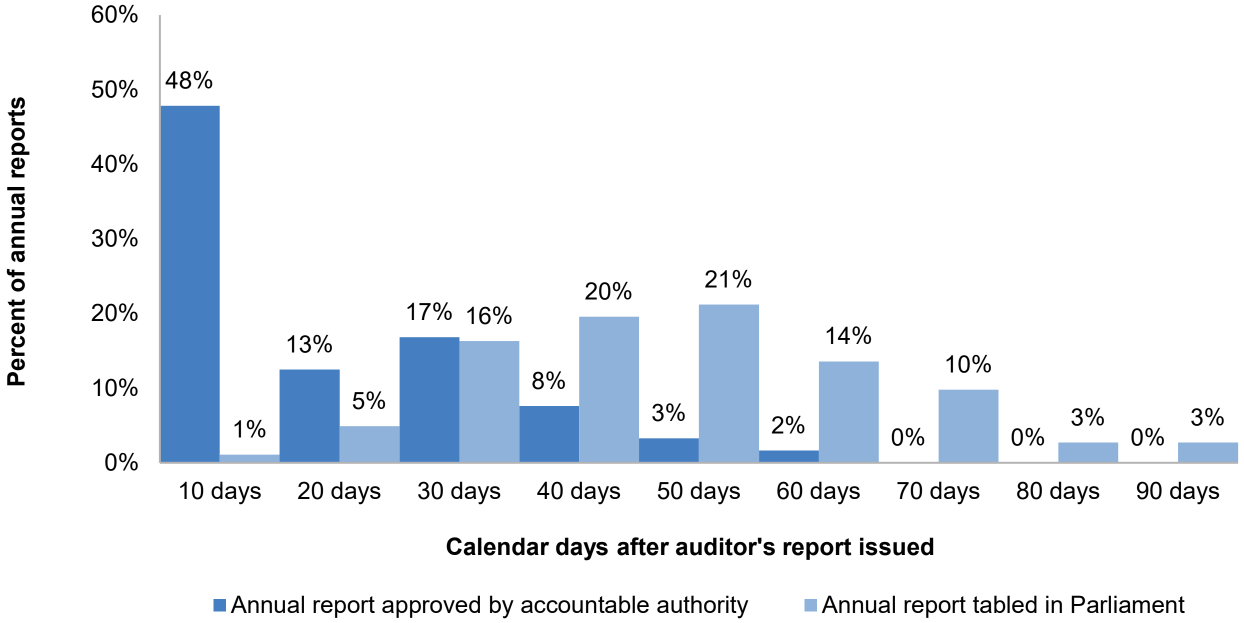
2.26 Annual reports are approved by the entity's accountable authority before being provided to the minister and tabled in Parliament. The Resource Management Guides (RMG) 135 A*nnual report for non-corporate Commonwealth entities*, and 136 *Annual report for corporate Commonwealth entities* state that annual reports are to be provided to the relevant minister by the 15th day of the fourth month after the end of the reporting period. RMG 137 *Annual report for Commonwealth companies* states that Commonwealth company directors must give the annual report to the responsible minister the earlier of 21 days before the next annual general meeting after the end of the reporting period for the company or four months after the end of the reporting period for the company.

15 Under the *Public Governance, Performance and Accountability Act 2013*, 185 entities are required to present annual reports to the responsible minister. The analysis for this report excludes the Australian National Audit Office (ANAO). The Auditor-General tables the ANAO's annual report directly in the Parliament. The 2021–22 ANAO annual report was tabled on 5 September 2022.

2.27 Figure 2.3 shows the time in days between the issue of the auditor's report to the:

- approval of the annual report by the accountable authority; and
- tabling of the annual report in Parliament.

Figure 2.3 Timeframe for tabling 2021–22 annual reports from issuance of auditor's report



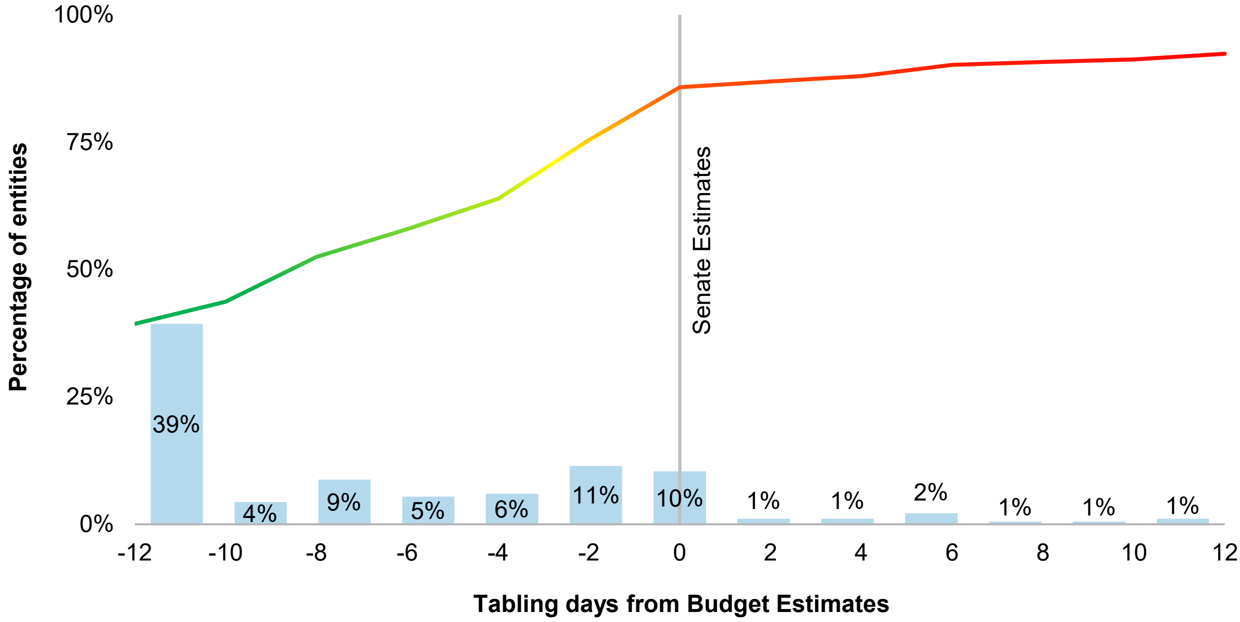
Source: ANAO analysis.

2.28 The analysis above shows that accountable authorities approved 48 per cent of annual reports within 10 days of the issue of the auditor's report (2020–21: 55 per cent), with an overall average of 12 days. The average days between the accountable authority's approval of the annual report and tabling in Parliament was 30 days (one more day than in 2020–21).

2.29 Twenty-two per cent of annual reports were tabled within 30 calendar days from the issue of the auditor's report (compared to 29 per cent in 2020–21). The tabling of annual reports in Parliament occurred on average 44 days after the auditor's report was issued (one day more than in 2020–21). There are 14 entities (eight per cent) that are required to table an annual report for 2021–22 which have not done so as at 2 December 2022 .

2.30 Annual reports should be tabled in Parliament to allow sufficient time for review before Senate estimates hearings. The RMGs on annual reports indicate that normally annual reports are tabled on or before 31 October and it is expected annual reports are tabled prior to the October estimates hearings.

Figure 2.4 2021–22 annual report tabling date in relation to Budget estimates hearing as at 2 December 2022



Source: ANAO analysis

2.31 Figure 2.4 above shows that 86 per cent of annual reports were tabled on or before the 2021–22 estimates hearing dates unchanged compared to 86 per cent in 2020–21. There were six material entities across three portfolios which either tabled annual reports after the portfolio's 2022–23 Budget estimates hearing (compared with eight material entities across six portfolios in 2020–21) or had not tabled as at 2 December 2022. Table 2.3 includes further details about those entities that did not provide 2021–22 annual reports prior to Budget estimate hearings.

Table 2.3: Annual reports tabled after the portfolio's Budget estimates hearings for material entities, as at 2 December 2022

Reporting entity	Date auditor's report issued	Approval of annual report[a]	Annual report tabling date	Budget estimates date[b]
Attorney-General's portfolio				
High Court of Australia[c]	29 Sept 22	•	•	28 Oct 22
National Archives of Australia	27 Sep 22	13 Oct 22	31 Oct 22	28 Oct 22
Infrastructure, Transport, Regional Development and Communications portfolio				
National Capital Authority	30 Aug 22	13 Oct 22	3 Nov 22	28 Oct 22
National Gallery of Australia	17 Aug 22	Not provided	8 Nov 22	7 Nov 22
Prime Minister and Cabinet portfolio				
Indigenous Business Australia	28 Sep 22	27 Sep 22	3 Nov 22	28 Oct 22

Reporting entity	Date auditor's report issued	Approval of annual report[a]	Annual report tabling date	Budget estimates date[b]
Indigenous Land and Sea Corporation	19 Sep 22	20 Sep 22	4 Nov 22	28 Oct 22

•: Annual report not tabled at 2 December 2022.

Note a: The date of the accountable authority's approval of the annual report is taken as either the date on the transmittal letter or the date the board approved the annual report.

Note b: This date is the first appearance for the portfolio at the 2021–22 Budget estimates hearing.

Note c: The requirements for the tabling of the annual report for the High Court of Australia are outlined in subsection 47(1) of the *High Court of Australia Act 1979 (Cth)*. The High Court of Australia must, as soon as practicable after 30 June, prepare and submit to the Minister a report relating to the administration of the affairs of the High Court under section 17 during the year that ended on that 30 June, together with financial statements in respect of that year in such form as the Minister for Finance approves.

Source: ANAO analysis of tabled annual reports.

Key audit matters

2.32 ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* (ASA 701) has been applicable since 2016–17. While ASA 701 only requires KAM reporting for listed entities, the Auditor-General considers including KAM to be good practice for financial statements auditing and has included KAM in reports since 2016–17. KAM have been reported in 2021–22 for the entities included in Auditor-General Report No. 32 *Interim Report on Key Financial Controls of Major Entities* (ANAO Report No.32) and the Consolidated Financial Statements (CFS).

2.33 At the commencement of each financial statements audit, an assessment is made on the relevance of KAM for that year. In 2021–22, a total of 57 KAM were reported across 25 entities (2020–21: 57 KAM reported across 25 entities). Although the total number of KAM reported was the same with the prior year, three new KAM were added and three KAM were removed compared to the report in 2020 –21. The number of KAM per entity for 2021–22 ranged from one to five (consistent with 2020–21).

2.34 A number of factors were considered in determining KAM, including reliance on third parties for data and balances that are underpinned by significant judgements and assumptions. The majority of KAM in 2021–22 related to the valuation, allocation and accuracy assertion for assets and liabilities, including:

- advances, loans and other receivables, including accounting for concessional loans;
- non-financial assets including property, plant and equipment and specialist military equipment;
- investments;
- intangibles, including computer software;
- leases; and
- provisions, including defined benefit superannuation funds and personal benefits.

2.35 Other KAM included: completeness and accuracy of expenses relating to subsidies, personal benefits and other payments; and completeness and accuracy of revenue relating to taxation, royalty and other revenue arising from fees and charges. Further details of the KAM reported are included in the discussion of results of financial statements audits in Chapter 4.

Financial sustainability of material entities

2.36 Integral to an audit is an understanding of an entity and its environment, including an entity's financial sustainability. Financial sustainability measures the ability of an entity to manage its financial resources so it can meet present and future spending commitments. This can provide an indication of financial management issues or point to an increased risk that an entity's resourcing or functions are not sustainable.

2.37 In 2018–19, the Department of Finance (Finance) established a portal for centrally capturing publicly available corporate information for all Commonwealth entities.[16] The portal includes tools that enable users to compare and contrast financial results across all entities through the use of the following four ratios:

- total liabilities to total assets ratio, which indicates the level of ownership of the entity's assets but can also be used to gain an understanding of the net equity of the entity;
- financial assets to total liabilities ratio, which indicates the extent to which an entity's liabilities can be covered by its financial assets;
- current ratio, which indicates whether an entity's current assets are greater than its current liabilities and whether the entity is likely to be able to pay its short-term liabilities as they fall due; and
- capital turnover ratio, which indicates whether an entity is replacing its assets at a sustainable rate.

2.38 In September 2022 Finance published further general information on what each of the ratios measures and indicate.[17] Finance has not developed and communicated guidance to assist users in assessing whether the ratios indicate strong or weak financial performance in the context of the government sector.[18] Consistent with prior years, in the absence of government guidance, the ANAO has developed parameters based on generally accepted concepts of financial sustainability and applied these to the operating results and balance sheets of the material entities.[19] [20] These parameters are described in Table 2.4 and Table 2.5 below.

Analysis of operating results

2.39 A key measure of an entity's financial management is its operating result for the year. Although the operating result is not the sole measure of performance of a public sector entity, a history of large deficits or surpluses in a not-for-profit Commonwealth entity could suggest the

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16 Australian Government Transparency portal, available from https://www.transparency.gov.au [accessed 18 November 2022].

17 Australian Government Transparency portal, available from: https://www.transparency.gov.au/financial-ratio [accessed 6 December 2022].

18 Consistent with previous ANAO reports. See Auditor General Report No. 14 2021–22 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021*, paragraph 2.53.

19 These parameters have been applied to entity operations classified as departmental. It excludes items not under the control of entities that are classified as administered items.

20 There are three entities classified as material by the Department of Finance that are not included in this analysis as they are subsidiaries of other non-corporate or corporate Commonwealth entities and their financial performance and position is consolidated into the parent entity financial statements. These entities are: ANSTO Nuclear Medicine Pty Ltd, CSIRO General Partner Co Pty Ltd; and Voyages Indigenous Tourism Australia Ltd.

need for additional or refocused funding, elimination of non-value adding costs, and/or improved financial management.

2.40 Similarly in the case of for-profit entities and those with quasi-commercial operations, there is an expectation that financial management focuses on meeting expected returns.[21] As a result, any entity in this category averaging a large deficit should be considered more closely.

2.41 The ANAO analysed the operating results of all material entities over a five-year period from 2017–18 to 2021–22. The analysis is based on reported surpluses or deficits after adjusting for unfunded expenses, where relevant, highlighting the full cost of operations.[22] Of the 62 material entities, 38 were not-for-profit and 24 were corporate or commonwealth companies or not-for-profit entities that have quasi-commercial operations or departmental functions operating on a for-profit basis.

2.42 For the purposes of this analysis, material entities are grouped into three operating result categories as part of this analysis, outlined in Table 2.4 below.

Table 2.4: Operating result category

Category	Parameters
Large deficits	An entity's average deficit for the past five years is greater than one per cent of total expenses.
Small deficits or surpluses	An entity's average deficit or surplus for the past five years is less than one per cent of total expenses.
Large surpluses	An entity's average surplus for the past five years is greater than one per cent of total expenses.

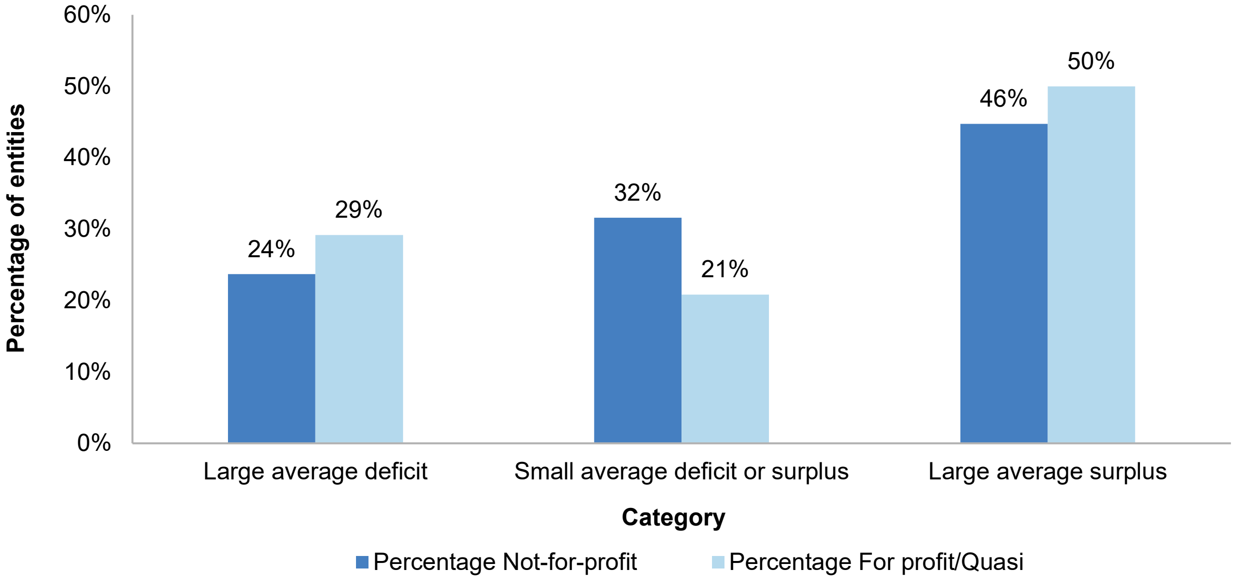
Source: ANAO operating result categories.

2.43 Figure 2.5 illustrates the summary of average operating results for not-for-profit and for profit/quasi-commercial entities and whether they had large or small average deficits or surpluses over the five-year period.

21 In the context of for-profit Commonwealth entities, the equivalent term for a surplus is profit and for a deficit is loss.

22 The Government provides funding for non-operating costs (for example, replacement and capitalised maintenance of existing departmental assets) to non-corporate commonwealth entities via departmental capital budgets, funded through equity. Corporate Commonwealth entities continue to be funded for depreciation, amortisation and make-good expenses except for entities designated as Collection Institutions which are not funded for depreciation on their heritage and cultural assets.

Figure 2.5: Average operating results analysis



Source: ANAO analysis of material entities' average operating results.

2.44 In 2021–22 there was a large average deficit recorded by 24 per cent of not-for-profit entities (compared to 21 per cent in 2020–21) and 29 per cent of for-profit/quasi-commercial entities (compared to 25 per cent in 2020–21). Forty-six per cent of not-for-profit entities and 50 per cent of material for-profit/quasi-commercial entities recorded a large average surplus (compared to 45 per cent and 71 per cent respectively in 2020–21). Thirty-two per cent of material not-for-profit entities recorded small average deficits or surpluses and managing within their breakeven mandate (compared to 34 per cent in 2020–21) while 21 per cent of material for-profit/quasi-commercial entities were classified as achieving small average deficits or surpluses (compared to four per cent in 2020–21).

2.45 The following discussion focuses on the common drivers for these entities' large average deficits and large average surpluses.

Large average deficits

2.46 Seven for-profit/quasi-commercial entities recorded a large average deficit during the five year period. These large average deficits are attributable to the following factors:

- three entities recorded large average deficits, consistent with the previous financial years due to being in, or having been in, the build phase of large infrastructure projects and/or still in the process of increasing revenue. They were: Australian Naval Infrastructure Pty Ltd; National Intermodal Company Limited; and WSA Co Ltd[23];
- the National Housing Finance and Investment Corporation's large average deficit is due to the accounting treatment for the recognition of concessional loan discount expense on loans advanced by the Corporation;

23 This is consistent with information reported in the Auditor General Report No.14 2021–22 *Audits of the Financial Statements of Government Entities for the Period Ended 30 June 2021*, paragraph 2.61.

- the Australian Rail Track Corporation large average deficit is related to the increase in impairment expenses recognised for property, plant and equipment (including rail infrastructure) assets.[24] These expenses are as a result of impairments recognised on the assets being constructed for the Inland Rail network and on rail infrastructure assets in the Interstate and Hunter Valley rail networks. The impairment in the Interstate and Hunter Valley network is a result of decreases in the expected net income on which the fair value is calculated. Impairment for the Inland Rail network reflects that ARTC will only recover a part of the economic benefits which are anticipated to arise from the full cost of construction of Inland Rail.[25];
- the Reserve Bank of Australia moved from the large average surplus to the large average deficit category in 2021–22, primarily due to net valuation losses of $46.0 billion incurred on the fair value measurement of domestic securities acquired as part of the bond purchase program (BPP) in response to the COVID-19 pandemic. These losses were partially offset by net interest income of $8.5 billion on securities holdings[26]; and
- the Coal Mining Industry (Long Service Leave Funding) Corporation moved from the large average surplus to the large average deficit category in 2021–22 due to losses on its financial asset investments. The losses were primarily driven weaker performance of investments in listed and unlisted equities.

2.47 The following four not-for-profit entities recorded a large average deficit during the give year period, primarily attributable to factors that occurred in prior years that impact the five-year average to 2021–22:

- the Australian Broadcasting Corporation's operating result in 2017–18 was affected by the initial recognition of a building maintenance provision of $30.7 million as a result of a Building Code of Australia Fire Safety Review;
- the Australian Federal Police recorded deficits from 2017–18 to 2020–21 predominantly as a result of: increased operating costs including additional protective equipment and cleaning of facilities in response to the COVID-19 pandemic; operations targeted at a dedicated encrypted communications platform used exclusively by organised crime; and increased employee entitlements expenses including additional provisions made for unpaid superannuation entitlements;
- the National Capital Authority recorded a deficit in 2017–18 due to works on the National Police Memorial, where insurance funds were received and accounted for in 2015–16 but the majority of the work was undertaken in 2017–18; and
- the National Library of Australia's operating result in 2020–21 was impacted by a decrease of $165.9 million in the value of its heritage and cultural collection assets, as a result of a revised assumption used in the valuation approach due to changing conditions associated with the COVID-19 pandemic.

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24 ibid., p. 15.

25 For further details refer to the summary of financial performance for the Australian Rail Track Corporation section in Chapter 4.

26 For further details refer to the summary of financial performance for the Reserve Bank of Australia section in Chapter 4.

2.48 Two not-for-profit entities recorded a large average deficit during the period due to factors occurring in current and prior years. Of these entities:

- the Department of the Prime Minister and Cabinet is in the large average deficit category as a result of the 2019–20 impact of AASB 16 *Leases* (AASB 16) as well as additional employee and supplier costs incurred in 2021–22 to implement new measures, including the Sydney Energy Forum and the National Strategy to Prevent and Respond to Child Sexual Abuse; and
- the Department of Veterans' Affairs' employee expenses have grown in 2021–22 due to an increase in staffing[27] and contractor costs to meet increasing demand for processing veteran claims since 2019–20.

2.49 Three not-for-profit entities moved from having a small average deficit or surplus in 2020–21 to a large average deficit in 2021–22. Of these entities:

- the Australian Bureau of Statistics' operating results have been affected by the national census completed in 2021, with larger expenditure on employees and Software as a Service, due to the increased workload from survey development and roll-out, as well as costs incurred in analysing and reporting the information gathered during the census;
- the Australian Signals Directorate's expenditure has increased since 2019–20 as part of the continued expansion of its operations and programs. The entity moved into the large average deficit category in 2021–22 attributable largely to the increase in deficits for 2020–21 and 2021–22 following additional expenditure of prior period appropriations for delayed projects impacted by the effects of supply chain delays; and
- in 2017–18, the National Blood Authority recorded a significant loss which has caused it to have a large average deficit during the period under review. This loss was driven by increased supplier costs that were incurred to: strengthen its cyber security following a data breach; ensure compliant and robust governance and management of contracted personnel; and deliver the BloodSTAR system project.

Large average surpluses

2.50 As illustrated in Figure 2.6, 45 per cent of material not-for-profit entities reported average surpluses of more than one per cent of total expenses over the five-year period (consistent with 2020–21). The following discussion focuses on the common drivers for these entities' large average surpluses.

2.51 Thirteen material not-for-profit entities have remained in the large average surplus category for 2021–22. Of these entities:

- the operating results of the Australian War Memorial and National Gallery of Australia continue to be impacted by the receipt of goods or donations for no or nominal consideration, and bequests of cash. Cultural institutions frequently receive gifts of heritage and/or cultural items for their collections and the accounting recognition of these items results in revenue being recorded in the period they are received without a

27 For further details refer to the summary of financial performance for the Department of Veterans' Affairs section in Chapter 4.

corresponding expense. The outcome is that the receiving entity records a significant surplus in those years, affecting the average over the period;

- the Australian Nuclear Science and Technology Organisation (ANSTO) gains recorded in 2021–22 attributable to the remeasurement of the nuclear waste management and decommissioning provisions (compared to losses recorded in 2020–21), which were mainly as a result of the impact of changes in the discounting factors applied in measuring the provisions due to changes in the Australian Government bond rate[28];
- the Australian Office of Financial Management (AOFM) remains in the large average surplus category in 2021–22. AOFM has received additional funding for the implementation and management of the Australian Business Securitisation Fund and the Structured Finance Support Fund.[29] The associated expenditure has been below budget due to lower investment activity in these funds;
- the Australian Securities and Investment Commission's (ASIC) large average surplus is due to additional revenue recorded in 2021–22, including additional own source revenue received to deliver capital projects on behalf of other Australian Government entities and increased court cost recoveries.[30] ASIC also received $19.7 million more than budgeted from other government entities to fund the Modernising Business Registers and Global Switch Unit Exit programs in 2020–21. The additional funds were used to cover capital expenditure in each of these years;
- the Bureau of Meteorology continues to report a large average surplus mainly due to the impact of the Bureau's contracts with customers which include the development of non-financial assets. Expenses for these assets are capitalised and not recorded in the operating result until they are depreciated over their useful lives. In addition, an insurance payment was received for cyclone damaged assets which was recorded in revenue, with the associated replacement asset purchases capitalised;
- the Commonwealth Scientific and Industrial Research Organisation (CSIRO) continues to recognise large surpluses due mainly to movements in the valuation of equity investments reflecting the underlying performance of the investments;
- the Department of Agriculture, Water and the Environment remains in the significant surplus category due mainly to gains from the remeasurement of the Antarctic restoration provisions.[31] The gains on the Antarctic restoration provisions were mainly as a result of the impact of changes in the discounting factors applied in measuring the provisions due to changes in the Australian Government bond rate;
- the Department of Education, Skills and Employment (DESE) received significant revenue from government in previous years to assist in the delivery of the COVID-19 pandemic

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28 For further details refer to the summary of financial performance for the Australian Nuclear Science and Technology Organisation section in Chapter 4.

29 For further details relating to the Australian Business Securitisation Fund and the Structured Finance Support Fund refer to the following website: https://aofm.gov.au/securitisation-investments [accessed 18 November 2022].

30 For further details refer to the summary of financial performance for the Australian Securities and Investment Commission section in Chapter 4.

31 For further details refer to the summary of financial performance for the Department of Agriculture, Water and the Environment section in Chapter 4

stimulus packages. This included school grants, university funding, increased funding for childcare payments to families and apprenticeship scheme payments including Jobactive. Funds were not fully expended in 2020–21 which resulted in a significant surplus in that year;

- the Department of Social Services (DSS) remains in the large average surplus category largely due to the recognition of resources received free of charge in 2018–19 for Aged Care Gateway IT systems application development services work completed by the Department of Health;
- Geoscience Australia's operating result places them in the large average surplus category due to delays in the Satellite-Based Augmentation System program relative to the funding received for this program.[32] The expenses for this program have not been fully realised since 2019–20. Geoscience Australia was first assessed as material by the Department of Finance in 2019–20 and the ANAO analysis includes three years of data;
- the large average surplus for the National Health and Medical Research Council primarily relates to decreases in expenditure due to reduced project-related activities resulting from the COVID-19 pandemic and the reversal of previously recognised impairment losses in 2020–21; and
- the primary drivers of Services Australia's large average surplus were additional funding received to deliver the Government's COVID-19 pandemic stimulus and disaster response initiatives in 2019–20 and 2020–21 and additional investment in transforming face-to-face service centres in 2021–22.

2.52 Four entities have moved from the small average deficit or surplus category in 2020–21 to the large average surplus category in 2021–22. Of these entities:

- the Australian Communications and Media Authority (ACMA) received additional funding in 2021–22 as part of new budget measures relating media sector support, women's safety and a national strategy for prevention and response to child sexual abuse. A portion of this funding remains unspent due to delays in recruitment and the supply chain;
- the Department of Health has moved into the large average primarily due to the impact of the surplus recorded in 2017–18. The surplus was related to additional revenues in the form of inspections, applications, conformity assessment and evaluations in the Therapeutic Goods Administration and higher revenue from new chemicals assessments in the former National Industrial Chemicals Notification and Assessment Scheme;
- the Department of Infrastructure, Transport, Regional Development and Communications (DITRDC) has recorded improved operating results in the current and prior years which has contributed to its large average surplus. In 2021–22, DITRDC underspent by approximately $22.8 million on the Per- and Poly-Fluoroalkyl Substances program following a change to the implementation strategy; and
- the National Indigenous Australians Agency (NIAA) was first established on 1 July 2019 and has been assessed as a material entity since its inception. NIAA received additional funding

32 For further details relating to the Satellite-Based Augmentation system refer to the following website: https://www.ga.gov.au/scientific-topics/positioning-navigation/positioning-australia/about-the-program/satellite-based-augmentation-system [accessed 18 November 2022].

from government in 2021–22 to coordinate its key activities, including policy development and program delivery. A portion of this funding remained unspent due to the temporary application resources to set up ICT systems used to support the Stolen Generation Redress Scheme.

Balance sheet analysis

2.53 All entities are expected to actively manage their underlying financial position, maintaining asset levels to support their operations and ensuring that sufficient funds will be available to meet liabilities as they fall due.

2.54 The ANAO analysed the balance sheet positions of material Australian Government entities as at 30 June 2022. While it is necessary to have regard to the public sector context, the following two measures are generally accepted indicators of the soundness of entities' balance sheets and are consistent with the ratios published by Finance:

- Liquidity: the extent to which an entity's liabilities are covered by cash or other financial assets. Where liabilities significantly exceed its financial assets, an entity may need a future injection of cash from government to meet those liabilities; and
- Gearing: the extent to which an entity's total assets are funded by debt rather than equity. An entity with high gearing may be running down its asset base that could indicate the need for a future capital injection from government.

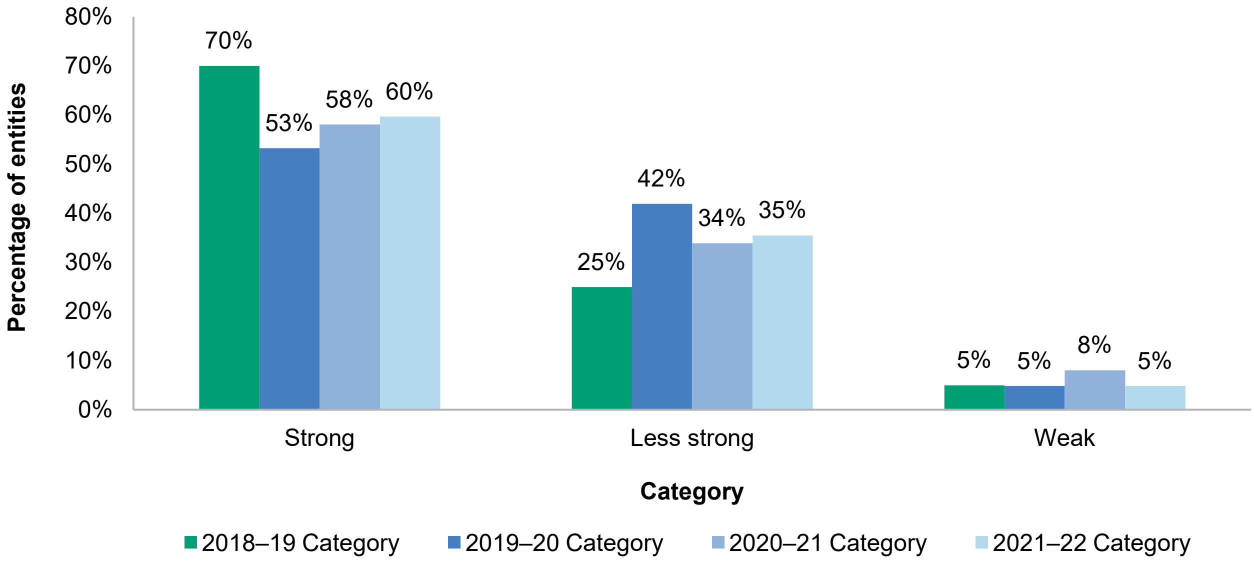
2.55 Based on the measures developed by Finance, the ANAO has reviewed an entity's ability to manage its underlying financial position. As Finance has not developed guidance to assist users in assessing whether the ratios indicate strong or weak financial performance in the context of the government sector, consistent with prior years the ANAO has determined these parameters, outlined in Table 2.5.

Table 2.5: ANAO parameters for balance sheet categories

Category	Parameters
Strong	Entities where financial assets were at least 40 per cent of total liabilities and where total liabilities were less than 85 per cent of total assets. These entities have the strongest balance sheets.
Less strong	Entities where financial assets were less than 40 per cent of total liabilities **OR** where total liabilities were more than 85 per cent of total assets. These entities had weaker balance sheets, either in liquidity or gearing terms.
Weak	Entities where financial assets were less than 40 per cent of total liabilities **AND** where total liabilities were more than 85 per cent of total assets. These entities are the most likely to need additional funding in the future.

Source: ANAO balance sheet categories.

Figure 2.6: Balance sheet analysis



Source: ANAO analysis of material entities' balance sheets.

2.56 Sixty per cent of material entities had strong balance sheets in 2021–22 (compared to 58 per cent in 2020–21), while 35 per cent had less strong balance sheets (compared to 34 per cent in 2020–21). The main driver for the movement to the strong balance sheet category was improvements to liquidity ratios stemming from increased financial asset values against decreasing liabilities balances. The following two entities improved from a weak balance sheet position in 2020–21:

- the Australian Bureau of Statistics, whose liquidity and gearing ratios improved due to reduced supplier expenditure after the completion of the 2021 Census and an increase in appropriations receivable from deferrals in user-funded surveys and lower capital expenditure; and
- Geoscience Australia, whose gearing ratio improved due to a larger appropriations receivable balance driven by an operating surplus of $50.2 million in the current year. The operating surplus was a result of delays in Geoscience Australia's implementation and delivery of the 'Satellite Based Augmentation' system.

2.57 Five per cent of material entities had weak balance sheets in 2021–22 (compared to 8 per cent in 2020–21). The entities with weak balance sheets are predominantly those whose operations are dependent on government policy and continued funding by the Parliament. On this basis, and provided that appropriate attention is given to liquidity issues in the future, these entities are not at risk of experiencing liquidity problems. Entities with weak balance sheets in 2021–22 include:

- the Australian Taxation Office (ATO) and Department of Social Services (DSS) — consistent with prior years, both entities continue to have weak balance sheets, largely driven by the impact of the implementation of AASB 16 in 2019–20. The initial recognition of $1.4 billion and $576.3 million in lease liabilities by the ATO and DSS respectively resulted in a deterioration of the liquidity ratio; and

- NBN Co Limited's balance sheet continues to be impacted by debt facilities, including loans and bonds, incurred during the construction and early phases of operation of the national broadband network.

Audit findings

2.58 Audit findings are raised in response to the identification of a potential business or financial risk posed to an entity. Often these risks arise from deficiencies within an entity's internal control processes or frameworks. Weaknesses in internal controls increase the possibility that an entity will not prevent or detect a material misstatement in its financial statements in a timely manner. The ANAO rates audit findings according to the potential business or financial management risk posed to the entity. The rating scale is presented in Table 2.6.

Table 2.6: Audit findings rating scale

Rating	Description
Significant (A)	Issues that pose a significant business or financial management risk to the entity. These include issues that could result in a material misstatement of the entity's financial statements.
Moderate (B)	Issues that pose a moderate business or financial management risk to the entity. These may include prior year issues that have not been satisfactorily addressed.
Minor (C)	Issues that pose a low business or financial management risk to the entity. These may include accounting issues that, if not addressed, could pose a moderate risk in the future.
Significant legislative breach (L1)	Instances of significant potential or actual breaches of the Constitution; and instances of significant non-compliance with the entity's enabling legislation, legislation that the entity is responsible for administering, and the PGPA Act.
Other non-compliance with legislation (L2)	Other instances of non-compliance with legislation the entity is required to comply with.
Non-compliance with subordinate legislation (L3)	Instances of non-compliance with subordinate legislation, such as the PGPA Rule.

Source: ANAO reporting policy.

2.59 A summary of findings identified for the period ended 30 June 2022 by category is presented in Table 2.7.

Table 2.7: Audit findings by category for the period ended 30 June 2022

Category	Significant	Moderate	Minor	Main areas of weakness
Financial statements preparation	–	–	9	• quality and timeliness of the preparation underlying financial statements

Category	Significant	Moderate	Minor	Main areas of weakness
IT control environment	–	19	64	• security management, particularly, user access and monitoring of privileged users; and • change management process.
Compliance and quality assurance frameworks	–	–	8	• entity level internal controls, policies and procedures including risk assessment processes; and • compliance frameworks addressing key business risks and program payments.
Accounting and control of non-financial assets	–	4	15	• management of inventory balances; • management and monitoring of assets including stocktakes, work in progress and capitalisation; and • processes supporting the valuation and assessment of impairment of assets.
Revenue, receivables and cash management	–	1	10	• recognition of revenue arising from multi-year contracts; and • monitoring, management and review of bank accounts.
Human resources financial processes	–	1	8	• management of leave entitlements; • documentation and oversight of activities supporting payroll functions.
Purchases and payables management	1	1	7	• authorisation and oversight of expenditure; and • segregation of duties.

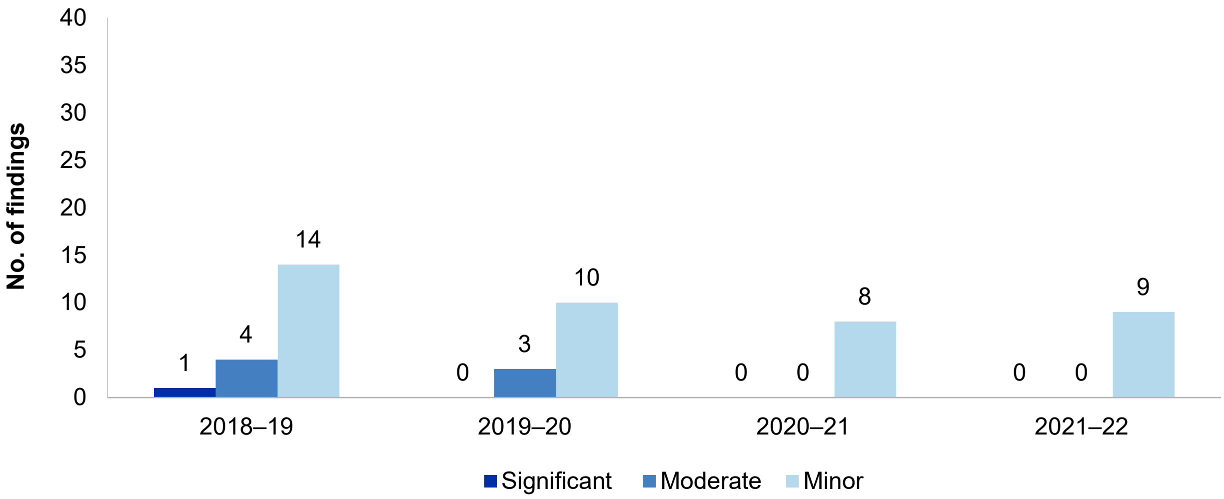
Category	Significant	Moderate	Minor	Main areas of weakness
Other audit findings	–	1	11	• governance and compliance relating to engagement and termination of staff, staff remuneration and Board operations • processing of journal entry transactions; • financial arrangements for intercompany transactions and charging costs between Departmental and Administered funding; • management of delegations; and • governance arrangements with third party service providers.
Legislative breaches	3	10	2	• failure to meet legislative requirements relating to payments; and • remuneration of key management personnel.
Total	4	37	134	

Source: ANAO compilation of findings.

Financial statements preparation

2.60 Financial statements are an important means of demonstrating how Commonwealth entities, both at an individual and whole-of-government level, meet their financial management responsibilities. In order to provide relevant and reliable financial information to the users, entities should prepare quality financial statements in a timely manner to support entities in meeting legislative reporting obligations including tabling of annual reports. Effective project management underpins successful financial statements preparation processes.

Figure 2.7 Financial statements preparation audit findings 2018–19 to 2021–22



Source: ANAO data.

2.61 There are no significant or moderate findings for financial statements preparation for 2021–22. There were nine minor findings reported in this category, four were first reported in 2021–22 and five remain unresolved from prior years. The minor findings relate to quality review processes and preparation of position papers to support accounting positions, judgements and estimates in the financial statements.

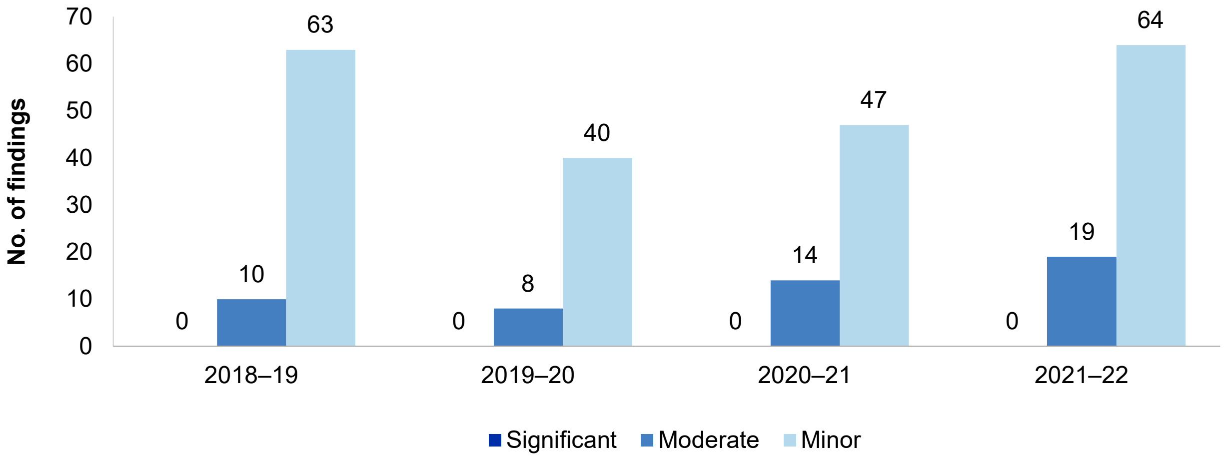
Information Technology control environment

2.62 The information technology (IT) control environment refers to the policies, procedures and controls that maintain the integrity of information and security of data in an entity. This includes:

- IT security management, which incorporates user access management, privileged user activity logging and monitoring as well as security configuration settings such as password controls; and
- IT change management and data centre and network operations, including management of backup and recovery processes.

2.63 The IT control environment is the environment in which applications run, and so it also supports the effective functioning of the application controls that may be relied on in the audit.

Figure 2.8 IT control environment audit findings 2018–19 to 2021–22



Source: ANAO data.

2.64 Ten new moderate findings were reported during 2021–22.[33] Nine moderate findings remain unresolved from prior years[34], one of these related to 2019–20.

2.65 User access management includes the processes and procedures to ensure that only authorised users are granted access to systems and data, and that access is removed when it is no longer required. Fifteen of the moderate findings relate to weaknesses in user access management with seven pertaining to management of terminated user access.[35] Refer to paragraph 2.98 for further analysis of weaknesses identified in terminated user access controls.

2.66 Users with administrative privileges, commonly referred to as privileged users, are able to make significant changes to IT systems' configuration and operation, bypass critical security settings and access sensitive information. To reduce the risks associated with this access, the Information Security Manual[36] requires that privileged user access be appropriately restricted and when provided, that the access is logged, regularly reviewed and monitored. There were three moderate and eight minor findings reported relating to privileged user access. Forty-three of the 64 minor findings were raised in 2021–22 and 21 were raised in prior years.

2.67 IT security management continues to remain the most common area of weakness in the IT control environment, with over 87 per cent of findings, and almost 95 per cent of the moderate

33 Further details regarding the moderate findings can be found in the entity results section in Chapter 4 for: Attorney-General's Department, Australian Taxation Office, Clean Energy Regulator, Departments of: Agriculture, Water and the Environment; Education, Skills and Employment; Infrastructure, Transport, Regional Development and Communications; the Treasury; Veterans' Affairs, and NDIS Quality and Safeguards Commission.

34 For further details relating to the unresolved moderate findings found in the entity section in chapter 4 for: Australian Nuclear Science and Technology Organisation, Departments of: Defence; Social Services; and Veterans' Affairs, and National Disability Insurance Agency.

35 For further details please refer to the entity results section in Chapter 4 for: Australian Nuclear Science and Technology Organisation, Attorney-General's Department, Clean Energy Regulator, Departments of: Agriculture, Water and the Environment; Defence; Education, Skills and Employment; Infrastructure, Transport, Regional Development and Communication; Veterans' Affairs, National Disability Insurance Agency and NDIS Quality and Safeguards Commission.

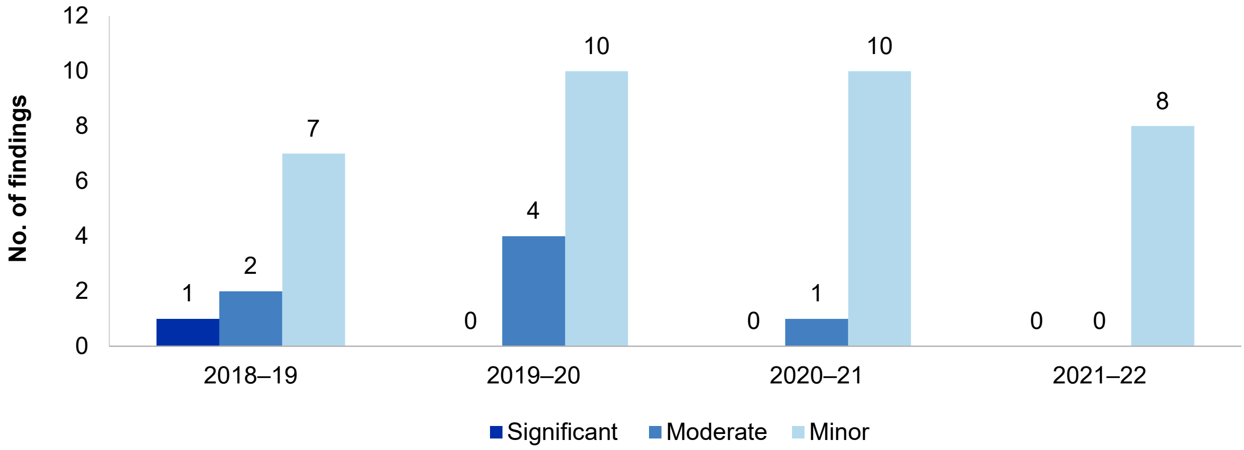
36 Australian Signals Directorate, *Information Security Manual*, Australian Cyber Security Centre, Canberra 2022, available at https://www.cyber.gov.au/acsc/view-all-content/ism [accessed 30 November 2022].

findings, relating to this area. Sustained focus is required by entities to ensure that the risks of unauthorised changes to systems and data and unauthorised data leakage are being appropriately managed.

Compliance and quality assurance frameworks

2.68 Entities rely on internal and external systems, parties and information in decision-making processes. The implementation of effective compliance and quality frameworks and processes provides assurance over the completeness and accuracy of the information and is integral to the preparation of financial statements free from material misstatement.

Figure 2.9 Compliance and quality assurance framework audit findings 2018–19 to 2021–22



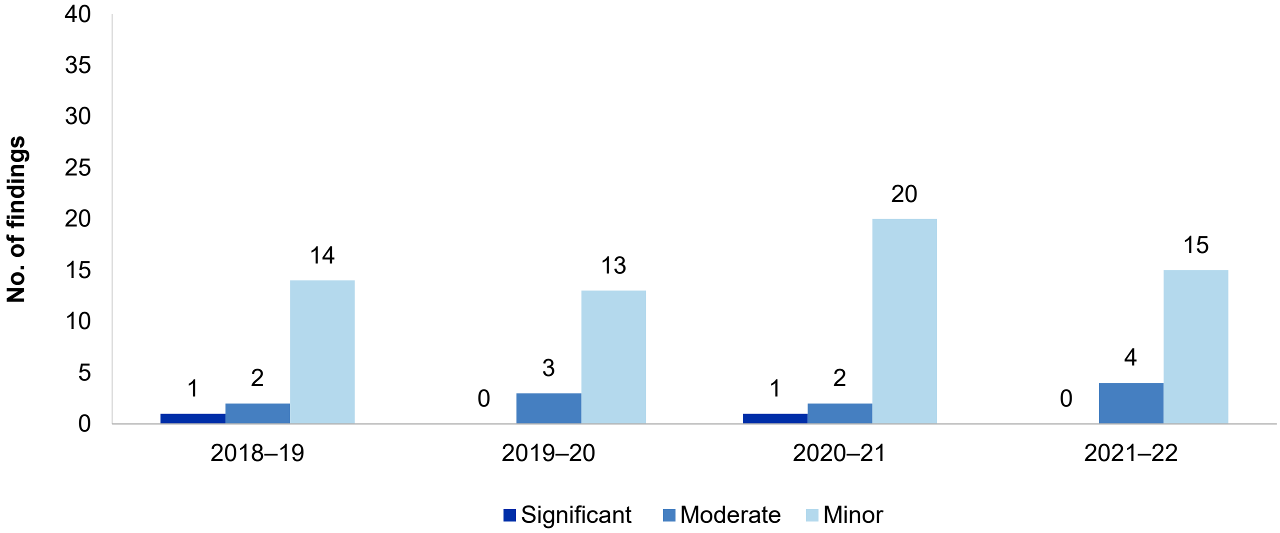
Source: ANAO data.

2.69 There were no moderate findings reported during 2021–22 related to assurance over administered programs. Seven of the eight minor findings were raised in 2021–22 and one was raised in 2020–21.

Accounting and control of non-financial assets

2.70 Entities control a diverse range of non-financial assets on behalf of the Australian Government, including land and buildings, specialist military equipment, leasehold improvements, infrastructure, plant and equipment, inventories, and computer software.

Figure 2.10 Accounting and control of non-financial asset audit findings 2018–19 to 2021–22



Source: ANAO data.

2.71 The significant finding reported in 2020–21 related to the valuation of the Department of Defence's Specialised Military Equipment (SME) using the cost attribution model has been downgraded during 2021–22.[37]

2.72 In addition to the finding downgraded to a moderate, there were a further three new moderate findings reported to entities in 2021–22. The new moderate findings related to: weaknesses in the disposal of assets and inventory; impairment of administered inventory; and lease management.[38]

2.73 Seven of the 15 minor findings were raised in the 2021–22 period. There were eight unresolved findings from prior years. The minor findings relate to:

- valuation adjustments;
- assessments for impairment of assets and restoration obligations;
- data management and integrity;
- inventory management;
- stocktake procedures; and
- timeliness of capitalisations.

Revenue, receivables and cash management

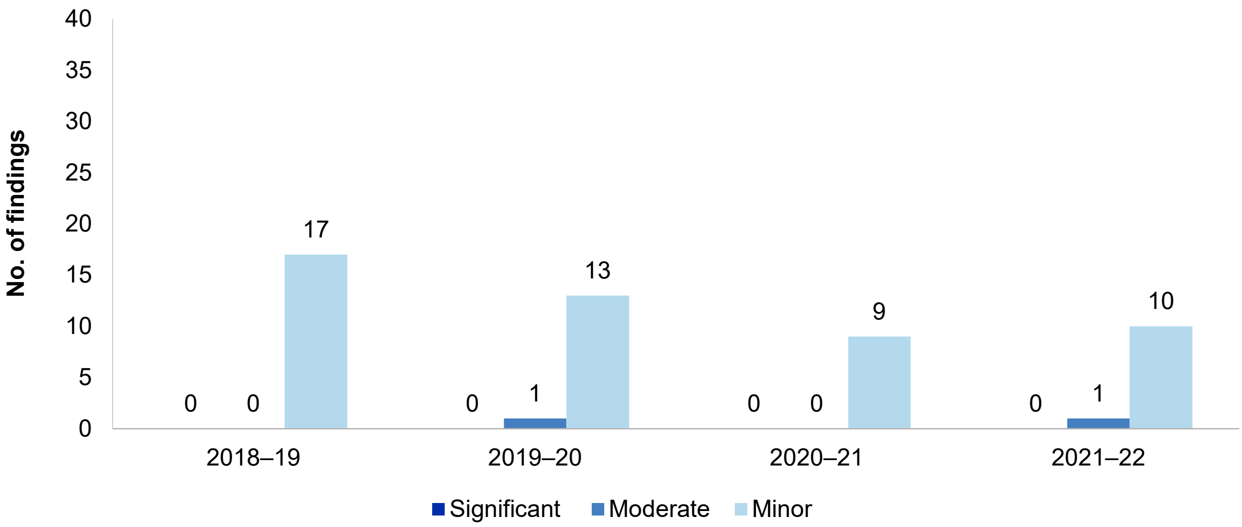
2.74 Revenue and receivables include Parliamentary appropriations, taxation revenue, customs and excise duties and administered levies. Commonwealth entities also generate revenue from the sale of goods and services and a range of other sources. Cash management

37 Further details of the audit finding can be found in entity results section in Chapter 4 for the Department of Defence.

38 Further details regarding these moderate finding can be found in the entity results section in Chapter 4 for the Departments of: Defence Health, and the Administrative Appeal Tribunal.

involves the collection and receipt of public monies and the management of official bank accounts.

Figure 2.11 Revenue, receivables and cash management audit findings 2018–19 to 2021–22



Source: ANAO data.

2.75 There was one new moderate finding reported to the Australian Taxation Office relating to debt management during 2021–22.[39]

2.76 There were six new minor findings reported in 2021–22. Four of the 10 findings remain unresolved and were first reported in 2020–21.

2.77 Five of the open minor findings relate to controls over revenue and receivables processes. Weaknesses in this category include:

- timeliness and completeness of reconciliations;
- weaknesses in processes underpinning the estimation of receivable balances within the financial statements including the accuracy and completeness of the data supporting these estimates;
- management of concessional loans.

2.78 The five remaining minor findings relate to cash management controls. Cash controls are core processes expected to be in a mature state at every entity. The weaknesses in this category include:

- timeliness and completeness of reconciliations of bank accounts; and
- weaknesses relating to the management of credit card acquittals.

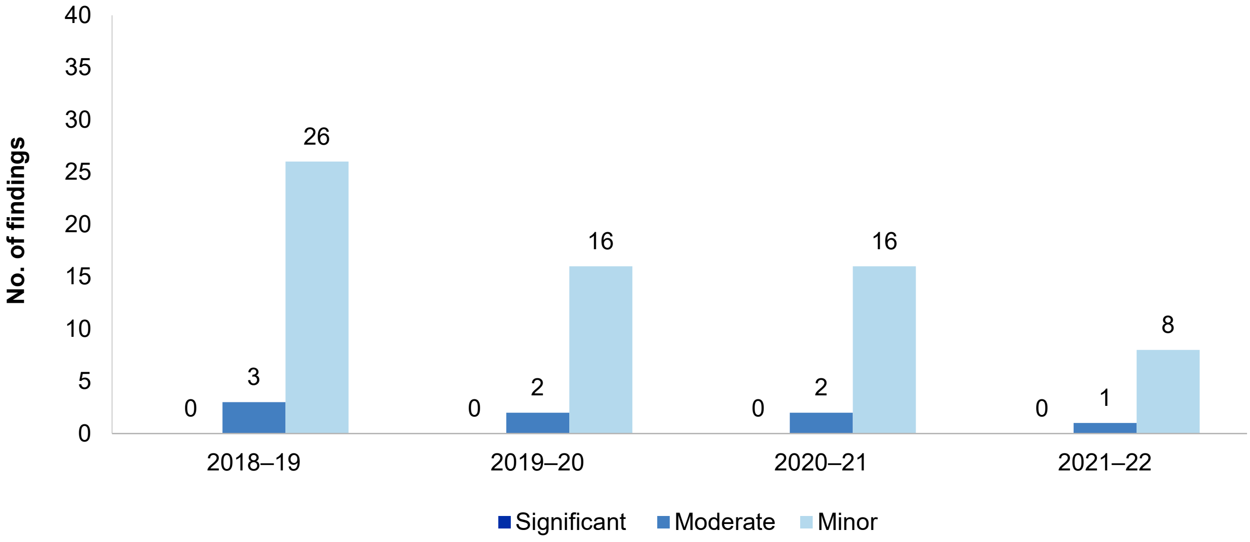
39 Further details of the audit finding can be found in entity results section in Chapter 4 for the Australian Taxation Office.

Human resource financial processes

2.79 Human resources encompass the management and administration of employee entitlements and payroll functions. Employee benefits represent the most significant departmental expenditure for most entities, and the associated leave and superannuation liabilities are subject to estimates and judgements in inputs.

2.80 Human resource transactions are high volume with both automated and manual processing. As a result, any control weaknesses can result in systematic errors increasing the risk of material misstatement.

Figure 2.12 Human resources financial processes audit findings 2018–19 to 2021–22



Source: ANAO data.

2.81 The unresolved moderate finding was reported in 2018–19 to the Northern Land Council related to weaknesses in the management of staff leave and controls in payroll processes.[40]

2.82 Three of the eight minor findings were raised in 2021–22. Five minor findings remain unresolved from prior years and one of these findings has been unresolved since 2015–16. The findings in this category relate to weaknesses in:

- management of employee leave entitlements;
- maintenance of payroll records and controls; and
- management of superannuation entitlements.

2.83 Five of the nine findings identified by the ANAO in 2021–22 related to the management of employee leave balances and/or compliance with relevant legislative or other requirements underpinning leave entitlements. These findings are consistent with those reported through the Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public*

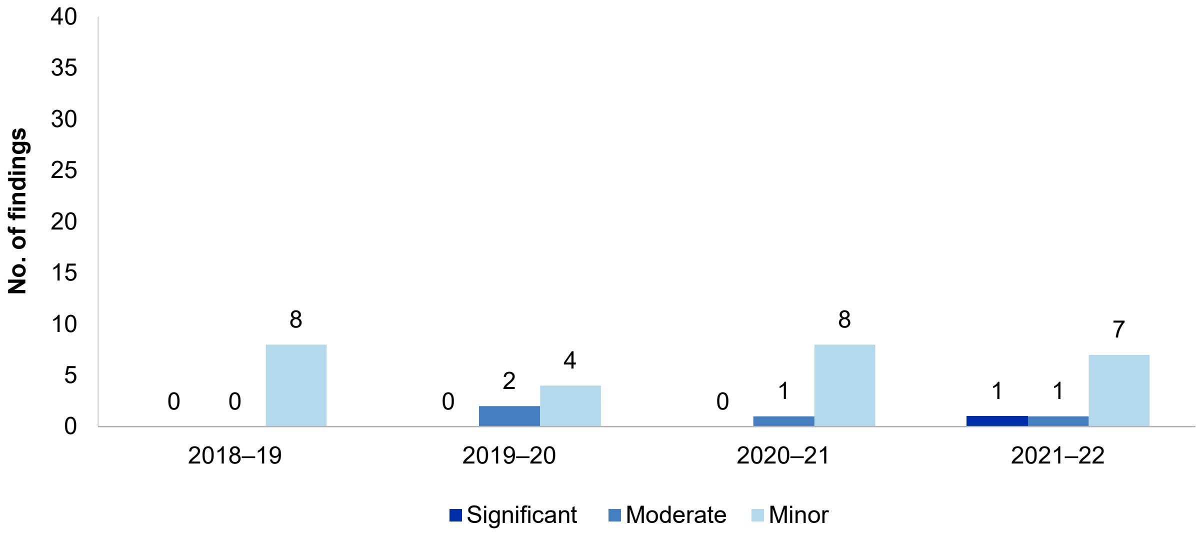
40 Further details of the audit finding can be found in entity results section in Chapter 4 for the Northern Land Council.

Service.[41] The audit identified a number of instances of good practice that may be relevant for other entities to consider in their administration of employee leave entitlements.

Purchases and payables management

2.84 Purchases and payables are payments to, or due to suppliers, including contractor and consultancy expenses, lease payments and general administrative payments. These expenses typically comprise the second most significant departmental expenditure item of entities after employee benefits. These are illustrated below in Figure 2.13.

Figure 2.13 Purchases and payables management audit findings 2018–19 to 2021–22



Source: ANAO data.

2.85 One significant finding was reported 2021–22 to the Department of Veterans' Affairs in relation to the methodology supporting the valuation of the military compensation provision reported in the financial statements.[42]

2.86 There was one unresolved moderate finding first reported in 2020–21 relating to weaknesses in the governance of Australian Defence Force health services at the Department of Defence.[43]

2.87 Seven minor audit findings were raised in 2021–22. Common weaknesses in this category over the four-year period between 2018–19 and 2021–22 relate to:

- procurement and contract management;
- processes supporting the authorisation of expenditure, including maintaining proper segregation of duties;

41 Auditor-General Report No.46 2021–22 *Management of Staff Leave in the Australian Public Service*, available at https://www.anao.gov.au/work/performance-audit/management-staff-leave-the-australian-public-service [accessed 22 November 2022].

42 Further details of the audit finding can be found in entity results section in Chapter 4 for the Department of Veterans' Affairs.

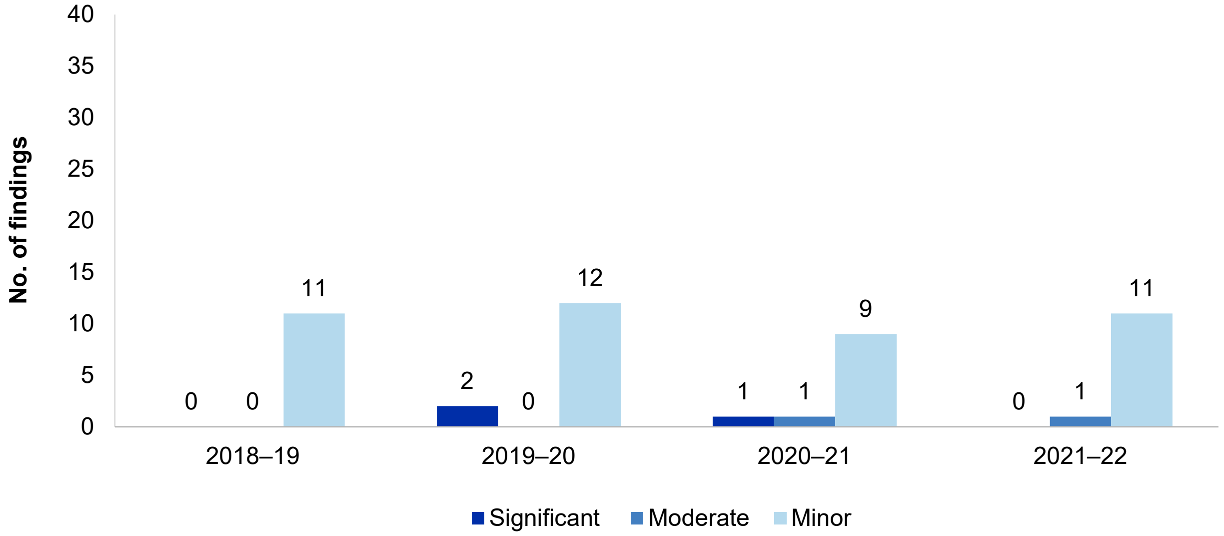
43 Further details of the audit finding can be found in entity results section in Chapter 4 for the Department of Defence.

- recognition and measurement of accrued expenses; and
- maintenance of vendor records and payment controls.

Other audit findings

2.88 Other audit findings typically include items relating to the: management and implementation of service level agreements or memoranda of understanding; updating or maintaining of key governance documentation. These are illustrated below in Figure 2.14.

Figure 2.14: Other Audit Findings 2018–19 to 2021–22



Source: ANAO data.

2.89 There was one new moderate finding identified in 2021–22 reported to the Royal Australian Air Force Veterans' Residences Trust Fund in relation to governance risks arising from the entity's audit committee not being composed of members independent of the entity.[44]

2.90 Seven of the eleven minor audit findings were raised in 2021–22. Four minor findings remain unresolved and were raised in 2020–21. The findings in this category relate to weaknesses in:

- segregation of duties between processing and approving of manual journals;
- the formalisation of corporate documents including agreements with third parties and internal policies;
- grant program processing and management; and
- fraud risk assessments and reporting of fraud to those charged with governance.

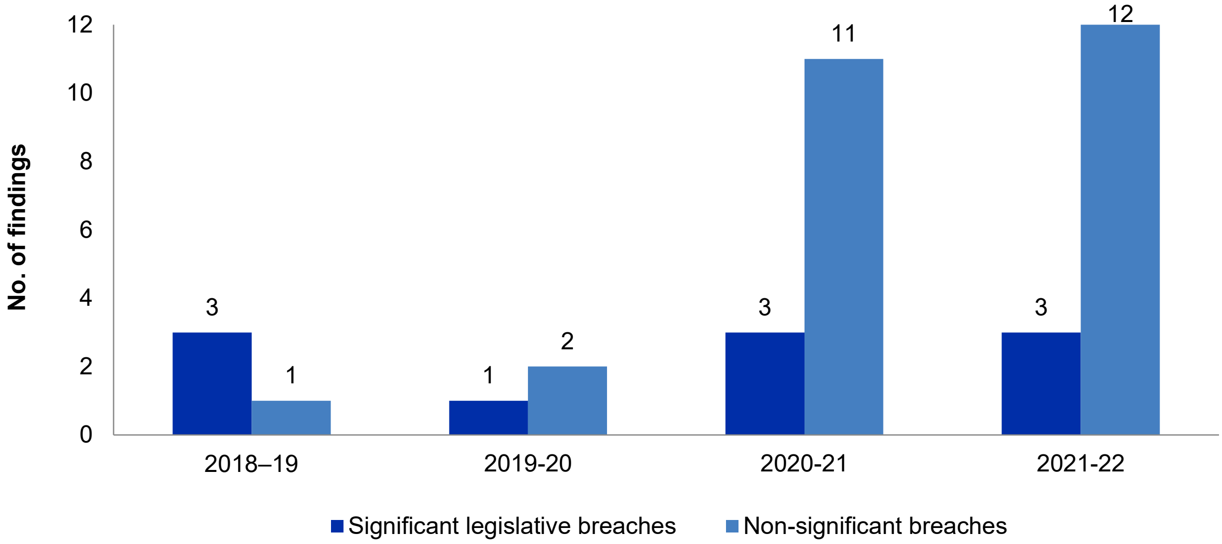
Legislative compliance

2.91 In accordance with ANAO policy, significant legislative breaches are reported to Parliament consistent with the reporting of significant and moderate audit findings. Significant legislative breaches include: instances of significant potential or actual breaches of the

44 Further details of the audit finding can be found in entity results section in Chapter 4 for the Royal Australian Air Force Veterans' Residences Trust Fund.

Constitution; and instances of significant non-compliance with the entity's enabling legislation, legislation that the entity is responsible for administering, and the PGPA Act. Figure 2.15 below illustrates the significant legislative breaches between 2018–19 to 2021–22.

Figure 2.15 Significant legislative breaches 2018–19 to 2021–22[a]



Note a: For the purpose of this analysis L2 and L3 categories have been grouped together as non-significant breaches. This includes all legislative findings reported during the year including one significant and three moderate audit findings which were reported as resolved at 30 June 2022.

Source: ANAO data.

2.92 There were three significant legislative breaches reported during 2021–22. Two of the breaches were raised during the 2021–22 and one remained unresolved from prior years. The new significant breaches identified relate to:

- the Australian Financial Security Authority. The breach identified related a transfer of funds that resulted in the overdrawing of a special account and a breach of section 83 of the Constitution. A transfer reversing the incorrect amount was processed on the same day; and
- the Royal Australian Air Force Welfare Recreational Company. During the 2021–22 audit, the ANAO identified that the entity had made changes to its audited 2020–21 financial statements and had published an altered version of the financial statements which included significant changes from the version audited by the ANAO. The changes to the financial statements are a breach of section 97 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 301 of the *Corporations Act 2001*.[45]

2.93 The unresolved significant legislative breach related to the Northern Land Council's failure to fulfil its responsibilities in relation to the requirement for funds in its royalty trust account to be distributed to traditional owners within agreed timeframes. This unresolved legislative breach was first raised in 2012–13 and related to the Northern Land Council's non-compliance with the *Aboriginal Land Rights (Northern Territory) Act 1976*. This Act establishes the Council's responsibilities for payments in respect of Aboriginal land, requiring payment of an amount equal

45 Further details of the audit finding can be found in entity results section in Chapter 4 for the Royal Australian Air Force Welfare Recreational Company.

to amounts received to, or for the benefit of, the traditional owners of the land, within six months after that amount is received through the royalty trust account. Instances of non-compliance continue to occur as not all of the funds in the Council's royalty trust account had been distributed to traditional owners, within the agreed timeframe.[46]

2.94 There were 10 new non-significant breaches reported during 2021–22. Two non-significant breaches remain unresolved 2020–21. The non-significant breaches related to:

- non compliance with determinations made by the Remuneration Tribunal for remuneration of key management personnel (incorrect payments);
- transactions not appropriately recorded in special accounts;
- non compliance with requirements for independent audit committee membership required by section 17 of the PGPA Act; and
- breaches of section 23 of the PGPA Act relating to approval for purchases.

2.95 The appropriateness of governance of key management personnel remuneration has been a continued focus of the ANAO's audits. Across the period 2018–19 to 2021–22 the ANAO has continued to identify a mix of significant and non-significant legislative breaches relating to key management personnel remuneration. Six of the twelve non-significant breaches in 2021–22 relate to incorrect payments of remuneration to key management personnel and/or non-compliance with determinations made by the Remuneration Tribunal.

Protective Security Policy Framework

2.96 The Attorney–General's Department (AGD) updated the Protective Security Policy Framework (PSPF) Policy 10 *Safeguarding data from cyber threats* (Policy 10) in March 2022 to require non-corporate Commonwealth entities (NCEs) to implement the Australian Signals Directorate's Australian Cyber Security Centre (ACSC) Essential Eight cyber mitigation strategies. The AGD updates were an expansion of the previous Policy 10 requirements which had required NCEs to implement four of the ACSC Essential Eight cyber mitigation strategies and to consider other mitigation strategies specified in ACSC's Strategies to Mitigate Cyber Security Incidents. The updates to Policy 10 were made on the advice of ACSC based on its assessment of cyber threats. The updated Policy 10 requirements became effective on 1 July 2022.

2.97 ACSC updated its guidance on the implementation of the Essential Eight by introducing four maturity levels (Maturity Level Zero through to Maturity Level Three). With the exception of Maturity Level Zero, the maturity levels are based on mitigating increasing levels of adversary tradecraft, which includes different tools, tactics, techniques and procedures, and range of focus of adversaries. NCEs are required to implement each of the Essential Eight strategies at a minimum of Maturity Level Two to meet the minimum requirements established under the new PSPF maturity model.

46 Further details of the audit finding can be found in entity results section in Chapter 4 for the Northern Land Council.

Removal of user access

2.98 The ACSC has reported an increase in the number and sophistication of cyber threats.[47] Threats to the confidentiality and integrity of data held by entities means that entities need to enforce effective access control to systems and networks, and ensure the timely removal of systems access following a user's cessation with the entity.

2.99 The PSPF and Australian Government Information Security Manual (ISM) assist organisations to use their risk management framework to protect information and systems from both internal and external threats. The PSPF governs the security of government Information Communications Technology (ICT) systems across non-corporate Commonwealth entities and the ISM provides the guidance to implementing appropriate security controls.

2.100 The ANAO has identified and reported previously[48] that several government entities have not implemented effective controls relating to the timely removal of user access. As stated in the PSPF: 'Effectively managing personnel security includes ensuring departing personnel fulfil their obligations to safeguard Australian Government resources; this limits the potential for the integrity, availability, and confidentiality of those resource to be compromised'.[49] This highlights a potential security threat to systems and information across all government entities.

2.101 The ANAO assessed termination controls in place at 144 relevant[50] government entities and found that 53 entities do not have a policy encompassing user access removal or that define the timeframe access should be removed from systems following a user's departure from the entity. A lack of policies related to user access removal increases the risk that access will not be removed in a timely manner and may be inappropriately used to access information.

2.102 The ISM states 'Removing or suspending access to systems, applications and data repositories can prevent them from being accessed when there is no longer a legitimate business requirement for their user, such as when personnel change duties, leave an organisation or are detected undertaking malicious activities'.[51] Timely removal of access is an important control to prevent unauthorised access to government systems and data. Five entities have a timeframe of greater than thirty days to remove user access to government systems.

2.103 Of the entities reviewed, 35 entities do not allow for the HR systems to enter terminations after cessation. This was either due to system restrictions, or an assessment by the entity that it does not require backdated cessations as all users are identified and actioned on their last

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47 Australian Cyber Security Centre, *Annual Cyber Threat Report 2021-22*, available from https://www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-july-2021-june-2022 [accessed 23 November 2022].

48 Auditor-General Report No.14 2020–21 *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2021.*

49 Protective Security Policy Framework, *PSPF 14: Separating Personnel*, available from https://www.protectivesecurity.gov.au/publications-library/policy-14-separating-personnel [accessed 24 October 2022].

50 Relevant entities include all departments of state, and other entities that manage their own IT network services. Highly classified networks have been excluded from the assessment.

51 Information Security Manual, *Guidelines for Personnel Security - Suspension of access to systems*, available from https://www.cyber.gov.au/sites/default/files/2021-12/08.%20ISM%20-%20Guidelines%20for%20Personnel%20Security%20%28December%202021%29.pdf [accessed 24 October 2022].

working day. However, should a user separation certificate not be completed prior to cessation, the system would reflect an incorrect date. Not allowing backdated terminations prevents an entity from monitoring these cases, can result in incorrect records and removes an entity's ability to monitor inappropriate access.

2.104 The majority of entities assessed, 119 entities of 144 relevant entities, do not have an effective control to monitor access or activity in entities systems after user cessation. Of these 144 entities, 14 entities currently have an open finding relating to terminations including seven[52] which have been assessed as a moderate risk. Not reviewing the access of individuals means entities are unable to assess and remediate any impact from unauthorised access to systems. This increases the risk that access to systems post termination is not detected and inappropriate activities undertaken are not mitigated.

2.105 The AGD collects information on entities self-assessed level of maturity for the of PSPF. As at 30 June 2021, 80% the 97 non-corporate commonwealth entities assessed themselves as being fully effective or higher at removing access 'On separation or transfer, the entity removed personnel's access to Australian Government resources, including physical facilities and ICT systems.'[53] ANAO's observations around termination controls indicates entities may be over estimating the effectiveness of the control environment, this is consistent with findings in previous ANAO audits undertaken on entities' cyber security.

2.106 The weaknesses identified by the ANAO pose an increased risk of unauthorised access to systems and data. Entities should review the management of these areas, and implement the appropriate controls included in the PSPF and ISM to mitigate the risks.

Executive remuneration

2.107 The Public Governance, Performance and Accountability (Financial Reporting) Rule 2015 establishes the requirement that entities must comply with the requirements of AASB 124 *Related Party Disclosures* (AASB 124) when preparing their financial statements. As a result, entities must establish accounting policies and processes to identify key management personnel (KMP) and report the total remuneration paid to KMP during the financial year in the notes to the financial statements.

2.108 The Public Governance, Performance and Accountability Rule 2014 (PGPA Rule) requires non-corporate and corporate Commonwealth entities to include further disclosures on executive remuneration in their annual reports for three staffing categories: key management personnel (KMP); senior executives and other highly paid staff. Commonwealth companies are only required to include information in relation to KMP.

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52 For further details refer to the chapter 4 contributions for the following entities: Australian Nuclear Science and Technology Organisation, Attorney-General's Department, Departments of: Education, Skills and Employment; Infrastructure, Transport, Regional Development and Communications; Social Services; and Veterans' Affairs, and National Disability Insurance Agency.

53 Protective Security Policy Framework, *PSPF 14: Separating Personnel*, available from https://www.protectivesecurity.gov.au/publications-library/policy-14-separating-personnel [accessed 24 October 2022].

2.109 In addition to the requirements of the PGPA Rule, the Department of Finance has issued two RMGs that provide additional guidance for entities in preparing their annual reports.[54] The PGPA Rule and guidance provide a definition of each category of executive for which remuneration must be reported in the annual report as outlined below:

> Under AASB 124, KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity;
>
> Senior executives are officials of a Commonwealth entity who are any of the following and who are not KMP:
>
> (a) an official with a classification in Groups 9 to 11 of the table in Schedule 1 to the Public Service Classification Rules 2000; or
>
> (b) an official with a position equivalent to an official covered by paragraph (a). For corporate Commonwealth entities that do not employ staff under the Public Service Act 1999, this would include an official other than a KMP who is responsible for making decisions, or having substantial input into decisions, that affect the operations of an entity; and
>
> (c) an officer of the Australian Defence Force with a rank equivalent to a classification covered by paragraph (a). This would include Commodores, Brigadiers, and Air Commodores, and all officers of a higher rank; and
>
> Other highly paid staff are officials of a Commonwealth entity:
>
> (a) who are neither KMP nor senior executives; and
>
> (b) whose total remuneration exceeds the threshold remuneration amount for the reporting period.[55 56]

2.110 The ANAO audits the KMP remuneration note in the financial statements but is not responsible for auditing or providing assurance over the disclosure of executive remuneration in the annual report.

2.111 As noted in paragraph 2.95, since 2018–19 the ANAO has continued to identify a mix of significant and non-significant legislative breaches relating to key management personnel remuneration, particularly in relation to overpayments and non-compliance with Remuneration Tribunal determinations. During 2021–22 the ANAO has identified a further five non-significant legislative breaches related to KMP remuneration. The cumulative nature of the ANAO's audit findings during this period highlights the importance of entities establishing appropriate policies, procedures and payroll controls that prevent overpayments from occurring and promote

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54 Department of Finance, RMG No. 138 *Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports*, available from https://www.finance.gov.au/government/managing-commonwealth-resources/commonwealth-entities-executive-remuneration-reporting-guide-annual-reports-rmg-138 [accessed 18 November 2022]; RMG No. 139 *Commonwealth companies Executive Remuneration Reporting Guide for Annual Reports* available from https://www.finance.gov.au/government/managing-commonwealth-resources/commonwealth-companies-executive-remuneration-reporting-guide-annual-reports-rmg-139 [accessed 18 November 2022].

55 The threshold for 2021–22 was $235,000.

56 Department of Finance, RMG No. 138 *Commonwealth entities Executive Remuneration Reporting Guide for Annual Reports*, available from https://www.finance.gov.au/government/managing-commonwealth-resources/commonwealth-entities-executive-remuneration-reporting-guide-annual-reports-rmg-138 [accessed 18 November 2022].

compliance with the relevant legislative requirements. The appropriate governance of KMP remuneration by entities will continue to be a focus of the ANAO's financial statements audits.

2.112 The ANAO has performed a review of entity annual reports to confirm whether the disclosure of executive remuneration reported in annual reports is consistent with the requirements of the PGPA Rule and the audited financial statements. There are a number of entities for which the ANAO performs financial statements audits which are not required to report executive remuneration in an annual report. These include:

- 61 subsidiaries of corporate Commonwealth entities and Commonwealth companies, which are not required to prepare an annual report;
- the Australian National Preventive Health Agency, which does not prepare an annual report;
- four entities where KMP are engaged in an honorary capacity and, as a result, disclosures are not required by the PGPA Rule[57]; and
- the High Court of Australia which is not subject to the PGPA Act.

2.113 Excluding the above entities, there were 180 entities which are required to apply executive remuneration reporting framework established by the PGPA Rule. These entities include: 15 Commonwealth companies; 69 corporate Commonwealth entities; and 96 non-corporate Commonwealth entities. The analysis below does not include four entities which had not provided the ANAO a copy of the annual report as at 2 December 2022[58] and two entities that do not publish an annual report.[59]

2.114 The ANAO undertook an analysis on the total number of KMP positions which have been identified by entities. An overview of the range and average number of KMP identified by these entities in their 2021–22 financial statements has been included in Table 2.8 below.

Table 2.8: Average number and range of KMP

Entity type	Average number of KMP positions	Lowest number of KMP positions	Highest number of KMP positions
Non-corporate Commonwealth entity	6	1	23
Corporate Commonwealth entity	13	2	32
Commonwealth company	12	2	18

Source: ANAO analysis of entity financial statements.

57 For AAF Company; Royal Australian Air Force Welfare Recreational Company; Royal Australian Air Force Veterans' Residences Trust Fund; and Royal Australian Navy Central Canteens Board, KMP are defined as the boards who are engaged on an honorary basis.

58 Army and Air Force Canteen Service, Bundanon Trust, Tiwi Land Council and Anindilyakwa Land Council's annual reports were not published at the time of the ANAO's analysis.

59 Australian Secret Intelligence Service and Office of National Intelligence do not publish a publicly available annual report.

2.115 Differences between the composition of corporate and non-corporate entity KMP positions primarily relate to the model of governance, with corporate Commonwealth entities and Commonwealth companies including appointed boards of directors in the definition of KMP.

2.116 The ANAO identified that five entities amended their accounting policy/and or definition of who is considered to be a KMP during 2021–22. Four of these entities reported additional KMP positions and one entity reported a reduced number of KMP positions. An overview of these entities, and the corresponding movement in KMP positions reported, has been listed in Table 2.9 below.

Table 2.9: Movements in KMP positions reported for 2021–22

Entity	Change to KMP definition from prior year	KMP positions reported for 2020–21	KMP positions reported for 2021–22	Difference
Australian Pesticides and Veterinary Medicines Authority	Entity became a corporate Commonwealth entity in 2021–22 and definition expanded to include Board members	9	11	2
Asbestos Safety and Eradication Agency	Reviewed accounting policy and organisational structure: definition expanded to include direct reports of the Accountable Authority.	1	4	3
Australian Criminal Intelligence Commission	Entity subject to an organisational restructure which consolidated existing KMP positions.	6	3	(3)
Civil Aviation Safety Authority	The definition expanded as a result of organisational restructure with more direct reports to the Chief Executive Officer.	13	18	5
Inspector-General of Taxation	Reviewed accounting policy and organisational structure: definition expanded to include direct reports of the Accountable Authority and Deputy Inspector-General.	2	7	5

Source: ANAO analysis

2.117 The ANAO performed a review of the disclosures in entity annual reports compared to the audited financial statements and identified eight instances where there were variances[60] in the total remuneration disclosed. Of the eight entities:

- five disclosed the reason for the difference in their annual report; and

60 RMG 138 and RMG 139 state that total KMP remuneration disclosed in accordance with the PGPA Rule should match the total KMP remuneration disclosed in the notes to the financial statements.

- three did not disclose the difference in the annual report. These entities are: the Australian Securities and Investments Commission; Grains Research and Development Corporation; and WSA Co Limited.

2.118 Section 17CA of the PGPA Rule requires entities to disclose in their annual report numerical information on the remuneration paid to KMP, senior executives and other highly paid staff. This includes a breakdown of: names (for KMP only), base salary, bonuses, other benefits and allowances, superannuation contributions, long service, other long term benefits and termination benefits. Whilst not subject to the detailed audit procedures by the ANAO, our analysis indicated that all entities had included the required tables and numerical information in annual reports as required by the PGPA Rule.

2.119 The PGPA Rule also requires entities to disclose policies and practices covering executive remuneration, including governance arrangements under which these policies and practices operate and the basis for determining remuneration.[61] The ANAO identified that 170 of the 180 entities assessed included the information required by the PGPA Rule. Ten entities did not include all of the information required by the PGPA Rule. Of these entities:

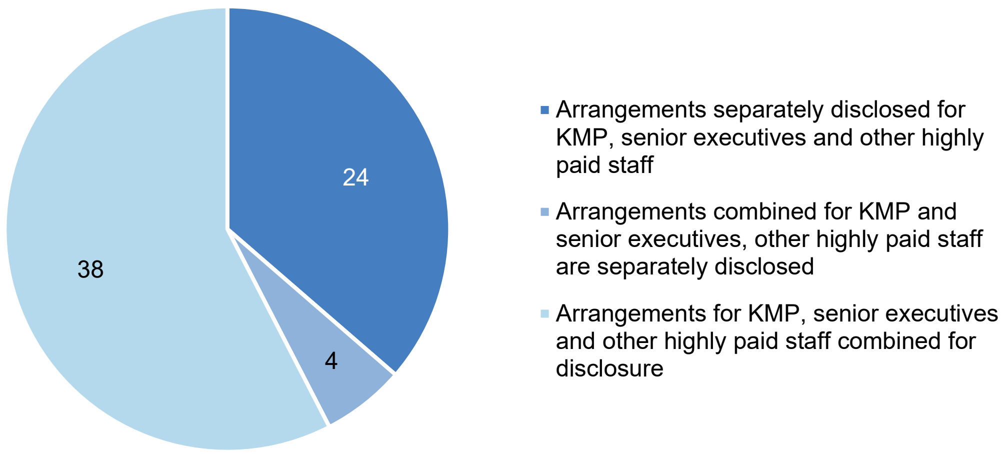
- five entities' disclosures on the basis for determining executive remuneration did not include detail on the framework, policies and governance associated with remuneration.[62] These entities were: the Australian Sports Commission; Food Standards Australia New Zealand; Indigenous Business Australia; National Australia Day Council; and the National Indigenous Australians Agency;
- the Australian Institute of Family Studies and Australian Strategic Policy Institute Limited's disclosures on executive remuneration policies and practices lacked appropriate detail[63];
- Creative Partnerships Australia Limited and the National Recovery and Resilience Agency's annual reports did not include any information on executive remuneration policies and practices[64]; and
- the Australian National Maritime Museum's annual report did not cover the remuneration policies and practices for all executives.[65]

2.120 The ANAO performed a review of the information included in the annual reports of entities which did include the remuneration information required by the PGPA Rule. Entities are permitted to choose the level of disaggregation for these disclosures[66], noting that Commonwealth companies are only required to disclose governance arrangements for KMP. The analysis indicates that there is not a consistent approach to disclosing the level of detail for remuneration information for KMP, senior executives and other highly paid staff with entities adopting a mix of the permitted disaggregation in preparing their annual report. Figure 2.16 and

61 PGPA Rule, sections 17CD and 28EB.
62 ibid., subsections 17CD(2) and 28EB(2).
63 ibid., paragraphs 17CD(2)(a) and 28EB(2)(a).
64 ibid.
65 ibid., paragraph 17CD(2)(a).
66 Entities may disclose separately for KMP, senior executives and other highly paid staff, combine their disclosures for all categories, or combine disclosures of KMP and senior executives while disclosing separately for other highly paid staff.

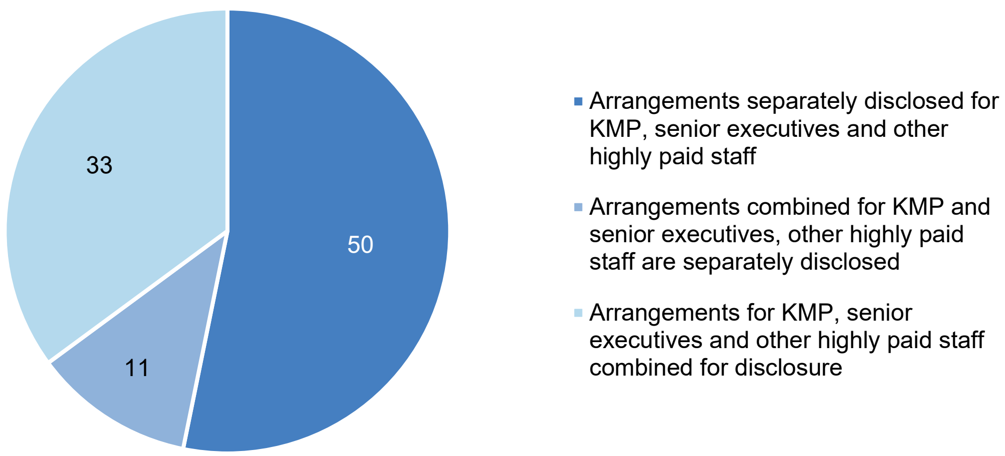
Figure 2.17 summarise the level of disaggregation adopted by corporate and non-corporate Commonwealth entities.

Figure 2.16: Disclosures of governance arrangements — corporate Commonwealth entities



Source: ANAO analysis of corporate Commonwealth entity 2021–22 annual reports.

Figure 2.17: Disclosures of governance arrangements — non-corporate Commonwealth entities



Source: ANAO analysis of non-corporate Commonwealth entity 2021–22 annual reports

Bonuses

2.121 On 13 August 2021, the Australian Public Service Commission (APSC) released its *Performance Bonus Guidance* (the Guidance) which established revised principles governing the application and payment of performance bonuses for Commonwealth entities and companies.[67] The Guidance included the expectation from the Australian Government that entities should implement the principles as 'soon as practicable'.[68] All Commonwealth entities and companies were expected to apply the Guidance for performance bonuses relating to activities in 2021–22 onwards with the exception of:

- 61 subsidiaries of corporate Commonwealth entities and companies; and
- the High Court of Australia (which is not subject to the provisions of the PGPA Act).

2.122 The scope of the Guidance extended to performance bonuses defined as 'an at-risk short-term incentive, variable remuneration, and one-off non-monetary and monetary payments, which are provided based on performance'. This definition also includes non-remunerative gifts or incentives.

2.123 For the entities to which the Guidance was applicable, it did not apply to the following staff:

- members of the Australian Defence Force;
- positions where remuneration arrangements are set by the Remuneration Tribunal; [69] or
- where applying the Guidance would be inconsistent with an entity's legislative and/or regulatory obligations.[70]

2.124 The Guidance established the following principles[71]:

- any performance bonuses must be carefully designed to clearly align with delivering a public benefit over and above expected outcome;
- all Commonwealth entities and companies have a responsibility to the Australian public and therefore should act in line with community expectations regarding remuneration, regardless of their level of independence from the government;
- performance bonuses may only be used in limited circumstances, justifiable to the Parliament and the public; and
- Commonwealth entities and companies should exercise rigour and restraint in the use of performance bonus payments.

2.125 Other than allowing existing performance bonus arrangements to expire, the Guidance indicated that entities may choose to cease performance bonuses by partially rolling performance

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67 Australian Public Service Commission, *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies* available from https://www.apsc.gov.au/circulars-guidance-and-advice/performance-bonus-guidance [accessed 30 November 2022].

68 ibid., section 4.

69 ibid., section 3.

70 ibid., section 2.

71 ibid., sections 8–11.

bonuses into salaries[72] or settling performance bonuses through a buy-out.[73] [74] Where bonuses are rolled into salary the Guidance indicated that only a portion of the available bonus should be rolled in.[75]

2.126 As noted at paragraph 2.123 staff members who are remunerated in accordance with a determination of the Remuneration Tribunal are not subject to the principles of the Guidance. As a result, there are a range of officeholders, including Principal Executive Officers, for which the conditions of the relevant determination/s made by the Remuneration Tribunal permit the payment of performance bonuses as part of a remuneration package. Ongoing payment of these bonuses has not been considered in the ANAO's analysis below.

2.127 The ANAO performed an analysis of the application of the principles in the Guidance during 2021–22 through inspection of entity annual reports and inquiries of entities as part of the financial statement audit process. Prior to the release of the guidance, there were 46 Commonwealth entities and companies that paid performance bonuses to staff. Following the release of the Guidance, 22 entities have made the decision to cease paying performance bonuses (during 2021–22 or in future periods). The strategies adopted by these entities in ceasing performance bonuses have been described in Table 2.10 below.

Table 2.10: Entities which ceased the payment of performance bonuses

Strategies adopted	Entities
Existing bonus arrangements expired/will be allowed to expire	Australian Institute of Marine Science, Australian Pesticides and Veterinary Medicines Authority, Australian Sports Commission, Department of Health, Reserve Bank of Australia, Tourism Australia and Workplace Gender Equality Agency.
Bonuses rolled/will be partially rolled into salary	Airservices Australia, Australian Centre for International Agricultural Research, Australian Commission on Safety and Quality in Health Care, Australian Competition and Consumer Commission, Australian Nuclear Science and Technology Organisation, Australian Securities and Investments Commission, Australian War Memorial, Coal Mining Industry (Long Service Leave Funding) Corporation; National Housing Finance and Investment Corporation and WSA Co Limited.
Bonuses were settled/will be settled through buy-out	Australian Prudential Regulation Authority, Defence Housing Australia, Export Finance Australia and Northern Australia Infrastructure Facility.
A combination of strategies	Australian National Maritime Museum.

Source: ANAO analysis.

72 Partially rolling into salary includes arrangements whereby an entity includes a portion of the performance bonuses that employees would have received (prior to the entity's decision to cease performance bonuses) in employees' future salary payments.

73 A buy-out includes instances where an entity offers employees compensatory arrangements for performance bonuses which the employees have lost as a result of the entity's decision to cease performance bonuses.

74 Australian Public Service Commission, *Performance Bonus Guidance: Principles governing performance bonus use in Commonwealth entities and companies*, section 7 available from https://www.apsc.gov.au/circulars-guidance-and-advice/performance-bonus-guidance [accessed 30 November 2022].

75 ibid., section 7.

2.128 The Guidance recognised that "a limited number of Commonwealth entities and companies operate primarily in commercial markets where it may be more appropriate to use performance bonuses"[76] and establishes principles for their use. The Guidance indicated that:

- bonuses would "not be appropriate in most policy, service delivery, regulatory, or corporate roles."[77] ; and
- there may be a "greater justification for Commonwealth entities and companies whose primary purpose is to operate in commercial markets, to use at risk remuneration arrangements including performance bonuses".[78]

2.129 The Guidance states that entities must: have a bonus policy in place that is reviewed annually; and disclose executive remuneration policies and practices, including those which relate to performance bonuses, in their annual report.[79]

2.130 Twenty-four of the 46 entities for which the Guidance applied who previously paid performance bonuses intend to continue paying performance bonuses. These entities are listed in Table 2.11 below. The ANAO's analysis of these 24 entities identified that:

- four entities do not have a policy relating to performance bonuses. These entities are: Australian Strategic Policy Institute Limited; Commonwealth Grants Commission and the Commonwealth Scientific and Industrial Research Organisation and the Professional Services Review; and
- of the 20 entities that have a policy in place, four did not include information on the policy in the 2021–22 annual report. These entities are: Australian Hearing Services; Australian National University; Australian Signals Directorate; and the Department of Foreign Affairs and Trade.

Table 2.11: Entities continuing to pay performance bonuses

Entity	Staff presently eligible for bonuses	Does the entity have a policy covering bonuses?	Is the policy covering bonuses disclosed in the annual report?
ASC Pty Ltd	Senior executives	Yes	Yes
Attorney-General's Department	Certain staff[a]	Yes	Yes
Australian Broadcasting Corporation	Eligible staff under current enterprise agreement (excludes executive staff)	Yes	Yes
Australian Hearing Services	Certain staff[b]	Yes	No

76 Ibid., section 6.
77 Ibid., section 13.
78 Ibid., section 17.
79 Ibid., sections 23 and 25.

Entity	Staff presently eligible for bonuses	Does the entity have a policy covering bonuses?	Is the policy covering bonuses disclosed in the annual report?
Australian Law Reform Commission	Staff who are at the top pay point of their payroll band as specified in the Enterprise Agreement	Yes	Yes
Australian National University	All academic and professional staff	Yes	No
Australian Naval Infrastructure Pty Ltd	All permanent staff	Yes	Yes
Australian Postal Corporation	Group Chief Executive Officer, senior executives, contract level roles and select invited EBA level roles	Yes	Yes
Australian Rail Track Corporation Limited	All staff	Yes	Yes
Australian Signals Directorate	All staff excluding senior executives	Yes	No
Australian Strategic Policy Institute Limited	All staff	No	N/A
Clean Energy Finance Corporation	All staff	Yes	Yes
Commonwealth Grants Commission	All staff excluding casual employees	No	N/A
Commonwealth Superannuation Corporation	Staff on individual employment contracts, subject to achieving required performance and risk management objectives	Yes	Yes
Commonwealth Scientific and Industrial Research Organisation (CSIRO)	All staff excluding certain members of the Executive Team and officers covered under a separate enterprise agreement[c]	No	N/A
Department of Defence	All staff	Yes	Yes
Department of Foreign Affairs and Trade	Australian Passport Office staff and certain other staff[d]	Yes	No
Future Fund Management Agency	All permanent staff	Yes	Yes
Grains Research and Development Corporation	Staff engaged under Senior Employment Contracts	Yes	Yes
National Intermodal Corporation Limited	Certain staff[e]	Yes	Yes
NBN Co Limited	Senior executives	Yes	Yes

Entity	Staff presently eligible for bonuses	Does the entity have a policy covering bonuses?	Is the policy covering bonuses disclosed in the annual report?
Professional Services Review	Executive management where existing contracts require performance bonuses[f]	No	N/A
Snowy Hydro Limited	Chief Executive Officer and Executives	Yes	Yes
Special Broadcasting Service Corporation	Predominantly sales positions or other identified roles responsible for the meeting of significant project outcomes[g]	Yes	Yes

Note a: Fee earning lawyers (with exceptions) and previous fee earners who are now pro bono replacements (meeting certain requirements).

Note b: Leaders, Community Hearing Advisors, Clinicians, Network Support Employees, Enabling Services Office team members, Hearing Centre teams members and NAL Network team members.

Note c: CSIRO Canberra Deep Space Communication Complex (CDSCC) Enterprise Agreement 2018–2021.

Note d: Staff who are at the top pay point of their payroll band as specified in the Enterprise Agreement.

Note e: National Intermodal Corporation Limited do not offer bonuses for new staff not involved in project delivery or working as part of the senior leadership team following the release of the Guidance.

Note f: The Professional Services Review has removed the payment of bonuses for all staff except for one existing employee who has a contractual arrangement that allows the payment of a performance bonus.

Note g: Payment of commissions or bonuses is dependent on the achievement of pre-determined results/criteria.

Source: ANAO analysis.

Related parties

2.131 AASB 124 requires entities to make specific disclosures of transactions with related parties in the notes to the financial statements. AASB 124 provides that a related party 'is a person or entity that is related to the entity that is preparing its financial statements'.[80] This includes individuals or close members of their family that:

- have control or joint control of the entity;
- have a significant influence over the entity; or
- are member of the KMP of an entity.[81]

2.132 The purpose of related party disclosures is to ensure entities draw attention to the possibility that their financial statements may have been affected by the existence of related parties and by transactions with such parties. For Commonwealth entities and companies, portfolio Ministers and members of the Cabinet are considered to be related parties.[82] When preparing financial statements, entities must give consideration to whether any transactions have arisen with Cabinet or other ministers.

80 AASB 124, paragraph 9.

81 ibid.

82 ibid., Example 2.

2.133 Potential related party transactions can include the purchase or sale of goods and services to the entity, grants and other transfer payments, provision of guarantees or collateral or settlement of liabilities on behalf of a related party. Given the nature of the programs and administered by the Australian Government individuals, including Ministers, may transact with entities, for example, in the areas of social security, health benefits or taxation. These transactions are referred to as 'common citizen transactions' and are not generally considered to be related party transactions for which disclosure is required in the financial statements.

2.134 The ANAO's analysis of entity financial statements and the Australian Government Consolidated Financial Statements indicated that were no related party transactions with Ministers reported during 2021–22. There were a number of Cabinet and Ministerial changes during 2021–22, including the swearing in of a new Australian Government. Given these changes entities were required to give consideration to understanding the impact on the process for determining the existence of and reporting on any related party transactions in preparing their financial statements.

2.135 To assist entities in obtaining evidence as to the existence of any related party transactions that may require disclosure in the financial statements, the Department of Finance (Finance) conducts a biannual data collection process for all Ministers. The purpose of the data collection process is to obtain a confirmation as to whether each Minister is aware of whether they, a closely related family member or controlled entity has transacted with entities (outside of the 'common citizen transactions').

2.136 Finance provides advice to the Government on the collection and identification of information required for accounting purposes. The Government requests that ministers complete a signed declaration form and, where their responses to questions in the declaration note the existence of related party transactions, to provide the details of these transactions using the table included in the declaration. Finance then reviews this information and provide letters of assurance to entities that includes details of any transactions that requiring disclosure in the entities' financial statements. The data collection process was completed for all ministers who served during 2021–22. The supporting records were made available to the ANAO for the purpose of conducting financial statements audits.

2.137 The ANAO has analysed the policies and procedures that entities have undertaken in preparing the related party disclosures in their financial statements. The ANAO identified that of the 247 entities prepared financial statements 115 (47 per cent) did not have documented policies and/or procedures to identify related party transactions.

2.138 Entities should implement formal accounting policies, risk assessments and procedures related to the identification of related party transactions in the preparation of their annual financial statements.

2.139 Australian Auditing Standard ASA 550 *Related Parties* requires auditors perform specific audit procedures in relation to the identification, disclosure and impact of related party relationships and transactions. The ANAO performed these procedures as part of 2021–22 financial statements audits.

Shared services

2.140 Entities may enter a shared service arrangement for the delivery of corporate support services such as human resources (HR), information technology, financial and payment processing. The Department of Finance has led the initiative to broaden shared services uptake and is setting expectations for entities to progress to shared services as the Shared Services Program is a Whole of Australian Government Initiative and long-term priority for the Australian Government. This has resulted in an increase in shared services arrangements across government entities.

2.141 The Auditor-General Audit Insights Report *Service delivery through other entities 2022*[83] reviewed performance audits that examined aspects of service delivery through other entities undertaken in 2019–20 and 2020–21 and provided three key learning areas:

- establishing appropriate service delivery governance arrangements
- understanding risk tolerances and managing service delivery risks; and
- establishing performance monitoring and measurement arrangements.

2.142 The implementation of shared services across the public sector requires entities to work together to create and implement robust service agreements. Service agreements should capture risks for both entities, incorporate and report on meaningful performance measurements, and require reviews of the agreement to assess whether services provided are relevant, efficient and effective.

2.143 The ANAO has reviewed the governance arrangements, performance reporting, risk assessment and assurance arrangements which have been implemented for all Commonwealth entities and companies who provided or received shared services during 2021–22.

Providers

Governance Arrangements

2.144 A critical factor in arrangements where service delivery is through another Australian Government entity is accountability. Effective agreements can limit ambiguity in terms of roles and responsibilities, establish clear governance arrangements and expectations of the operation of controls and outline the agreed reporting on these arrangements. The degree of work undertaken to manage and maintain shared services agreements may differ depending on the nature and complexity of the services being provided. Entities that provide services to a small number of entities may not have the same governance frameworks as those that provide to a

83 Australian National Audit Office, *Service delivery through other entities,* available from https://www.anao.gov.au/work/audit-insights/service-delivery-through-other-entities [accessed 20 October 2022].

large number of entities. There were 19 government entities that provided shared services arrangements to other government entities as at 30 June 2022.[84]

2.145 All entities had a governance board, committee or other bodies that was responsible for the oversight of the services provided. Eight entities had boards, seven had committees and four entities had other bodies such as the CFO or financial reporting teams providing oversight of the function. Two of the 19 entities' responsible governance bodies did not have oversight over budget expenditure and strategic priorities nor receive regular reporting on the delivery of shared services.[85]

2.146 All shared services arrangements were underpinned by a formal agreement that clearly documented the roles and responsibilities of the provider and receiving entities. All entities had key decisions and strategies relating to delivery of services by the entities ratified by the governance board, committee, or other bodies.

2.147 Five of the 19 entities did not have a comprehensive policy relating to shared services provided that had been endorsed at the executive level.[86]

Understanding risk tolerances and managing service delivery risks - Providers

2.148 When services are delivered by another entity, risks to service delivery should be managed proactively in an ongoing manner by both entities, to enable each entity to effectively discharge its responsibilities. The Commonwealth Risk Management Policy states that 'entities must implement arrangements to understand and contribute to the management of shared risks'.[87]

2.149 Five of the 19 entities did not have risk assessments undertaken for the services provided.[88] Table 2.12 shows the timeframes of review undertaken for risk assessments for services provided under shared services agreements.

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84 The government entities that provided shared services arrangements were the Attorney-General's Department, Departments of: Defence; Education, Skills and Employment; Finance; Health; Home Affairs; Industry, Science, Energy and Resources; Infrastructure, Transport Regional Development and Communications; Parliamentary Services; Social Services; Prime Minister and Cabinet; Senate; the Treasury, and Export Finance Australia, Fair Work Ombudsman and Registered Organisations Commission, National Health and Medical Research Council, National Museum of Australia, Productivity Commission, Services Australia.

85 The entities that did not have oversight over budget and receive regular reporting of shared services were the Attorney-General's Department and Department of the Treasury.

86 The entities that did not have a comprehensive policy relating to shared services included the Attorney-General's Department, Departments of: Infrastructure, Transport, Regional Development and Communications; and the Treasury, Fair Work Ombudsman and Registered organisations Commission, Productivity Commission.

87 Department of Finance, Commonwealth Risk Management Policy, 2014, available from https://www.finance.gov.au/sites/default/files/2019-11/commonwealth-risk-management-policy_0.pdf [accessed 20 October 2022].

88 The entities that did not undertake risk assessments for services provided were the Attorney-General's Department, Departments of: Prime Minister and Cabinet; the Treasury, Fair Work Ombudsman and Registered Organisations Commission, Productivity Commission.

Table 2.12: Timeframes of review for risk assessments for services

Timeframes to review risk assessment	Number of entities
More than once a year	8
1-3 years	5
Not Applicable – No risk assessment undertaken	7

Source: ANAO analysis

Establishing performance monitoring and reporting arrangements - Providers

2.150 Performance measurement and reporting arrangements are two of the fundamental elements of a service agreement. Performance measures may be set out in the provider's internal service standards or may be written into the formal agreement between the entities. Regular reporting on service delivery by the provider entity allows the receiving to monitor the effectiveness and efficiency of the delivery of services.

2.151 There were three entities that did not have an assurance framework over services provided under its shared services arrangements.[89] Two of the 19 entities do not have a reporting process to inform receivers of shared services of the results of internal and external audits or reviews of the service provider.[90]

2.152 One of the 19 entities did not provide formal certification on the effectiveness of controls to the receivers of the services.[91] Seventeen entities provided letter of assurances, and one entity provided other forms of formal certification. The level of assurance provided varied ranging from management sign-offs without supporting evidence to representation letters with details of one or more of the following: an overview of internal controls, audit and assurance activities conducted, compliance reports, reporting of deficiencies if applicable and quality of serviced delivered under agreements.

2.153 The ANAO's review of the shared services delivery arrangements demonstrates improvements can be made in areas concerning policy, monitoring and reporting, and risk assessments. The changes in entity's operating environment and complexities of financial reporting frameworks requires risk assessment processes to be robust, reviewed, and comprehensive to identify and assess the evolving risks.

Receivers

Governance Arrangements

2.154 Accountability and strong governance arrangements are equally critical for entities receiving shared services as the services underpin the effective operations of the entity. The work undertaken to engage, assess, implement and monitor shared services arrangements may differ

89 The entities that did not have an assurance framework over services provided under shared services arrangements included the Departments of: Infrastructure, Transport, Regional Development and Communication; Parliamentary Services and Prime Minister and Cabinet.

90 The entities that did not have reporting processes to inform receivers of the results of internal and external audit or reviews of the service provider were the Fair Work Ombudsman and Registered Organisations Commission and the Productivity Commission.

91 The entity that did not provide formal certification on the effectiveness of controls to the receivers of the services was the Productivity Commission.

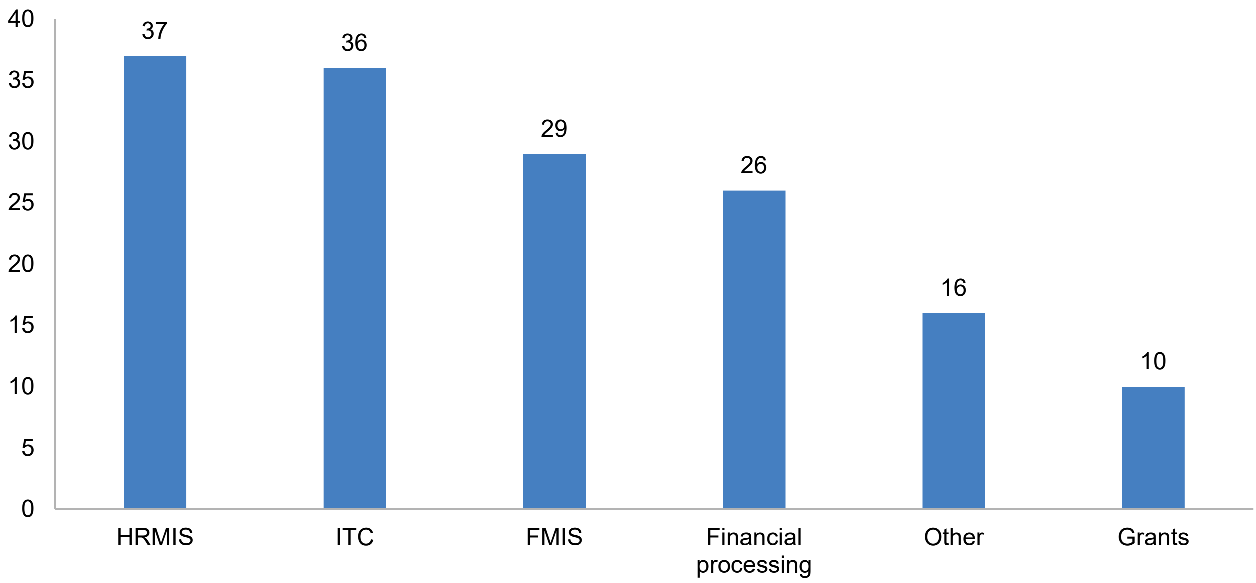
depending on the level of complexity and range of services being provided. The review of entities receiving shared services arrangements identified smaller entities did not have, and may not have required, the same governance arrangements due to the size of the agency or nature of services being received.

2.155 There were 60 entities that received shared services arrangements in the 2021–22 financial year[92] who received a total of 154 distinct services.

2.156 All entities entered into a formal agreement with the service provider. The term of the agreements varied from fixed terms to indefinite with 65 per cent of agreements being ongoing until terminated. It is important that where agreements remain in place until otherwise terminated that entities undertake a regular review of the services received and performance of the service organisation.

2.157 Entities can receive more than one type of service with providers of shared services offering a range of services. The largest category of shared services received related to the provision of IT networks and support services which were generally available as a suite of services. This included provision of network level systems and platforms, IT support services, and application management and provision including Human Resources Management Information System (HRIMS) and Financial Management Information software (FMIS). This was followed by financial processing services such as accounts receivable, accounts payable and payments for administered programs. Figure 2.18 provides further details on the categories of services being received by entities.

Figure 2.18: Categories and number of services provided



Source: ANAO analysis 2021–22

92 The Seafarers Safety, Rehabilitation and Compensation Authority and the Australian National Preventive Health Agency have been excluded from the analysis as both entities do not have staff and/or are dormant except for the purpose of preparing financial statements. Additionally, Office of National Intelligence has been excluded as the entity does not disclose information in line with Section 105D of the PGPA Act.

Understanding risk tolerances and managing service delivery risks - Receivers

2.158 As receivers of shared services arrangements, understanding and managing service delivery risks is essential to ensure mutual understanding with entities that provide those services. Forty-three per cent of entities that receive shared services did not undertake a risk assessment for the services received. Furthermore, 53 per cent entities did not perform a risk assessment over the use of the service organisation. Table 2.13 shows the period risk assessment was last undertaken for the use of a service organisation by entities that receive shared services.

Table 2.13: Period risk assessment last reviewed for use of services organisation

Period risk assessment last undertaken	Number of entities
2022	14
2021–22	8
Before 2020	6
Not Applicable – No Risk assessment undertaken	32

Source: ANAO analysis

Establishing performance monitoring and reporting arrangements - Receivers

2.159 Performance measurement and reporting arrangements allows entities that receive shared services arrangements to monitor the effectiveness and efficiency of the services being received.

2.160 Twelve per cent of entities did not have processes to monitor the work performed by the service provider. Forty-three per cent of the entities did not have an assurance framework over services received under its shared services arrangements.

2.161 Finance provides guidance in RMG 125 *Commonwealth Entities Financial Statements Guide* that entities should consider when receiving shared services and preparing their financial statements.[93]

2.162 Similar to the providers of shared services arrangements, the review of the service delivery arrangements demonstrates improvements can be made in areas concerning monitoring and reporting, and risk assessments for the receivers of shared services arrangements. The level of complexity required for each arrangement may differ however the receiving entities remain responsible for monitoring the quality of the services received to ensure they meet the requirements under financial and legislative frameworks.

Intangible assets – computer software

2.163 The Australian Government's intangible assets comprise mainly internally developed or purchased computer software. As reported in the Consolidated Financial Statements at 30 June 2022, the gross book value of computer software recognised by entities totalled

93 Department of Finance, RMG 125 Commonwealth Entities Financial Statements Guide – Section 7.9, available at: https://www.finance.gov.au/sites/default/files/2022-04/financial-statements-better-practice-guide-2022.pdf [accessed 5 December 2022].

$21.1 billion. As noted in Chapter 1, during the period 2017–18 to 2021–22 there has a $6.1 billion increase in capitalised computer software reported by entities during this period.

2.164 In 2018 the Australian Government launched a strategy to improve digital services which has been periodically updated. The 2021 *Digital Government Strategy* articulates the Australian Government's vision that 'by 2025, Australian will be one of the top three digital governments in the world, for the benefit of all Australians and will have the foundations to retain this position into the future'.[94] The strategy articulates that by 2025 all Australian Government services should be available digitally and should focus on the ability to develop software and platforms that are available to be reused across government and designed with a common architecture.[95] The achievement of this vision will require entities to continue to invest in the development of computer software.

2.165 Computer software developed by Commonwealth entities is often unique to the Australian Government and related to the regulatory or service delivery function conducted by those entities, for example, social security benefits, health benefits, trade facilitation and taxation administration. In 2021–22 the ANAO identified 12 material Commonwealth entities and companies where accounting for intangible assets is considered a moderate or significant area of audit focus.[96]

2.166 AASB 138 *Intangible Assets* (AASB 138) provides the criteria for the identification, recognition, and measurement of intangible assets including computer software. AASB 138 contains detailed guidance on the type and nature of costs incurred in development or purchase of computer software that can be capitalised as intangible assets by entities.

2.167 The International Financial Reporting Standards (IFRS) Interpretations Committee recently issued two agenda decisions that provided interpretations on accounting for software as a service (SaaS) contracts (cloud computing).[97] The Committee identified that in respect of SaaS contracts these arrangements are not considered to be intangible assets where the customer does not control the software application and are often only service contracts that should be expensed.

2.168 Finance has developed Resource Management Guide RMG 109 *Accounting for Internally Developed Software and Cloud Computing Arrangements* to provide guidance to entities in accounting for these arrangements.[98] The complexity of the accounting arrangements and the

94 Digital Government Strategy 2021, available at: https://www.dta.gov.au/sites/default/files/2021-12/Digital%20Government%20Strategy_web-ready_FA.pdf [accessed 21 November 2022].

95 ibid.

96 These entities are: Airservices Australia; Australian Bureau of Statistics; Australian Nuclear Science and Technology Organisation; Australian Prudential Regulation Authority; Australian Research Council; ASC Pty Ltd; Australian Signals Directorate; Bureau of Meteorology; Department of the Prime Minister and Cabinet; National Health and Medical Research Council; Services Australia; and NBN Co Limited. Refer to Chapter 4 for further details on each area of focus for these entities.

97 The International Financial Reporting Standards (IFRS) Interpretations Committee, *Customer's Right to Receive Access to the Supplier's Software Hosted on the Cloud (IAS 38 Intangible assets)*, March 2019, available at: https://www.ifrs.org/content/dam/ifrs/supporting-implementation/agenda-decisions/2019/ias38-customers-right-to-receive-access-to-the-suppliers-software-hosted-on-the-cloud-mar-19.pdf [accessed 22 November 2022].

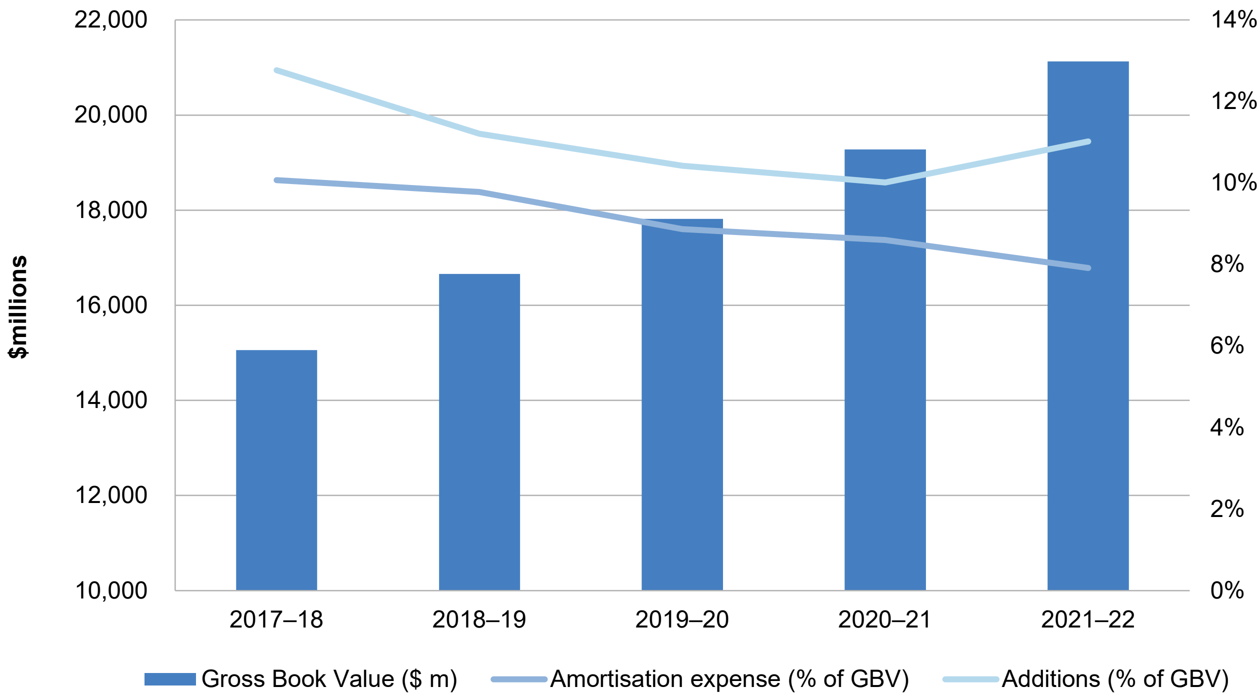
98 Department of Finance, Accounting for internally developed software and cloud computing arrangements (RMG 109) available at: https://www.finance.gov.au/publications/resource-management-guides/accounting-internally-developed-software-and-cloud-computing-arrangements-rmg-109 [accessed 22 November 2022].

technology and computer software developed by entities required the application of increased professional judgement in accounting for these arrangements in an entity's financial statements. It is important for entities to establish accounting policies, processes for capturing capital costs and quality assurance processes which regularly review intangible asset balances for impairment.

2.169 Following the decision of the IFRS Interpretations Committee relating to SaaS contracts, entities were required to review their accounting policies and procedures to confirm that excluded costs were not capitalised and treated as an expense. The decision of the Committee also has implications for entities which are funded by Parliamentary appropriations. The development of computer software has historically been funded through equity injections or departmental capital budget appropriations. Given that expenditure on SaaS contracts is to be expensed there is the potential to create an operating loss position in an entity's financial results. Entities should review their appropriation and budgeting framework to ensure that the accounting treatment of SaaS contracts is aligned with accounting treatment to avoid misalignment where activities were funded from capital appropriations and are now recognised through operating expenses. Given the Committee's decision, the full extent of expenditure on computer software by entities will no longer be solely recorded in the balance sheet.

2.170 Figure 2.20 shows that Australian Government computer software has steadily increased since 2017–18, with a current gross book value of $21.1 billion as at 30 June 2022. The gross book value represents the total cumulative investment made by entities in developing or purchasing computer software that is in use or is under construction at each reporting date. At 30 June 2022, $2.3 billion of this balance was under construction, that is not yet finalised or in use.

Figure 2.19 Australian Government computer software (in use and under construction)



Source: ANAO analysis of 2018–19 to 2021–22 CFS.

2.171 As shown in Figure 2.20 computer software additions (as a percentage of gross book value) ranged between 10 - 12 per cent per year from 2017–18 to 2021–22. During 2021–22, Australian

Government entities spent $2.3 billion on the purchase or internal development of computer software. Amortisation expense (as a percentage of gross book value) declined from 10 per cent to 8 per cent in 2021–22. The decrease in amortisation expenses is attributable to the growth in assets under construction (which are not amortised) during the period and the reassessment of useful lives of existing computer software assets (extending over longer periods).

2.172 At 30 June 2022 74 per cent of the reported balance of the Australian Government's computer software was attributable to the following 10 entities:

- Australian Postal Corporation;
- Australian Taxation Office;
- Bureau of Meteorology;
- NBN Co Limited;
- Departments of: Agriculture, Water and the Environment; Defence; Education, Skills and Employment; Health; Home Affairs; and
- Services Australia.

2.173 The entities identified above also recorded the highest value of computer software additions in 2021–22 (comprising 73 per cent of total Australian Government computer software additions in the period). Table 2.14 includes the computer software additions of these entities and a description of their major software projects contributing to this balance.

Table 2.14: Major computer software projects in 2021–22

Entity	Value of Computer software additions	Major intangible asset additions
Australian Postal Corporation	$164.7 million	• POST+ software which will replace the Corporation's existing point of sale system; • telecommunications infrastructure upgrade; and • parcel event management system replacement.
Australian Taxation Office	$74.7 million	• Digital Identity Project (development of an online identity program); • Enhancements to ICP (an internal system for storing tax information); • Digital Business Inbox (a digital inbox for clients to receive and action ATO correspondence); and • MyGov ID enhancements.
Bureau of Meteorology	$99.1 million	• ROBUST, a five-year program to ensure the security, stability and resilience of the Bureau's ICT systems and observing networks. This includes upgrades to observing capability, and a new data platform and data service APIs.
Department of Agriculture, Water and the Environment	$72.9 million	• modernisation of existing or development of new software related to the export certification, biosecurity, inspection and border clearance and regulatory functions.

Entity	Value of Computer software additions	Major intangible asset additions
Department of Defence	$338.7 million	• Enterprise Resourcing Planning; • Fleet Information Management System; • Health Knowledge Management System; • Upgrade of the Defence Restricted Network; and • One Defence Data Project.
Department of Education, Skills and Employment	$156.1 million	• Employment Services System; and • Apprenticeships Data Management System, which has recently launched to replace the existing computer program.
Department of Home Affairs	$122.9 million	• Digital Passenger Declaration; • Electronic Storage, Rationalisation and Sustainment Project; Back-up, archiving and TRIM redevelopment; • ICS (Integrated Cargo System) enhancements; • Identity management system and services expansion; • End User Computing Consolidation Program; • Auscheck system improvements; and • enhancements to ICSE (the Department's primary system for processing visa applications).
Department of Health	$110.4 million	• Improving Aged Care ICT Capability and reform associated with the Australian National Aged Care Classification. The Improving Aged Care ICT Capability project includes Support at Homes; the Government Provider Management System; and Business to Government.
NBN Co Limited	$284.5 million	• reporting tools for internal and retail service providers users; • software security upgrades; and • upgrades to higher capacity architecture.
Services Australia	$286.7 million	• Welfare Payment Infrastructure Programme; and • Residential Aged Care Funding Reform.

Source: ANAO 2021–22 Financial Statements Audits.

2.174 As part of the audit of these entities 2021–22 financial statements the ANAO has obtained assurance that the accounting policies and processes are consistent with the requirements of AASB 138 and the recent decisions of the Committee.

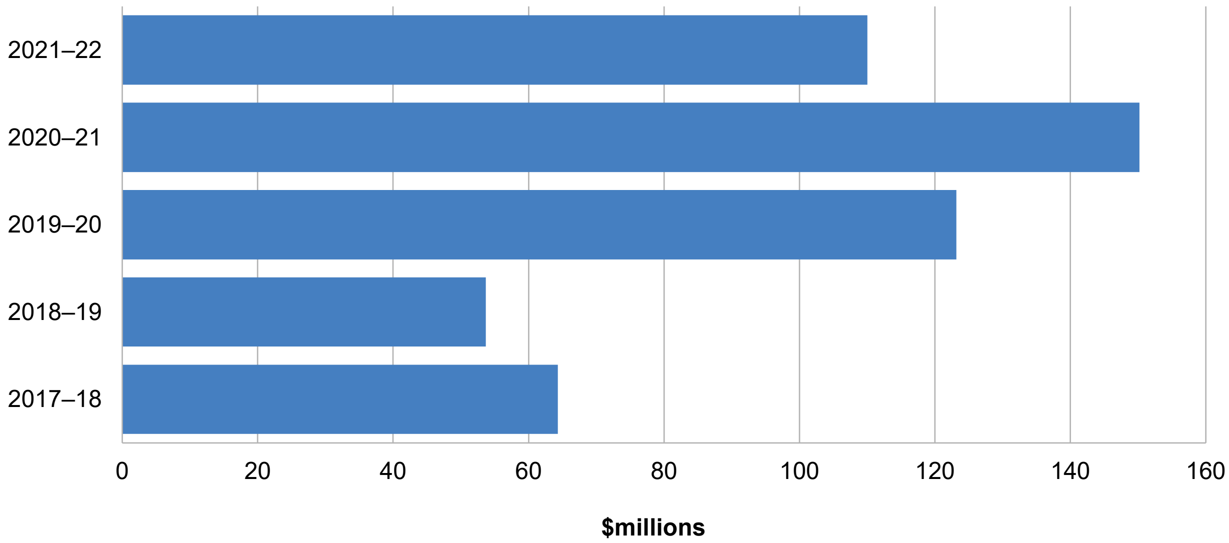
2.175 Given the history of rapid changes in technology, intangible assets are susceptible to technological obsolescence.[99] AASB 136 *Impairment of Assets* (AASB 136) requires entities to

99 AASB 138, paragraph 92.

assess whether there is any indication that non-financial assets may be impaired at end of each reporting period. Specific requirements apply for impairment testing of intangible assets.[100]

2.176 Australian Government entities recorded $110.0 million in write-downs and impairment of computer software in 2021–22. Figure 2.21 shows Australian Government recoverable amount write-downs and impairment for computer software over the past five years have ranged between $53.7 million and $150.2 million per year totalling $501.4 million.

Figure 2.20 Computer software recoverable amount write-downs



Source: ANAO analysis of 2018–19 to 2021–22 CFS

2.177 Impairment may arise where computer software is no longer fully in use or computer software under development is no longer expected to achieve the same capability as designed. Given the financial significance of computer software and the risk of technological obsolescence, it is important that entities have an appropriate policy is in place for impairment. Finance provides guidance in RMG 125 *Commonwealth Entities Financial Statements Guide* that entities should document their consideration of the indicators of impairment set out in AASB 136.

2.178 As part of the audit of these entities 2021–22 financial statements the ANAO has obtained assurance that these entities have appropriate accounting policies on impairment.

100 AASB 136, paragraph 10 states impairment testing is required in the reporting period for: intangible assets with an indefinite useful life; intangible assets not yet available for use; and intangible assets initially recognised during the period.

3. Reporting and auditing frameworks

Chapter coverage

This chapter outlines recent and future changes to the public sector reporting framework and the Australian auditing framework relating to the auditor's report on financial statements.

Summary of developments

AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* (AASB 1060) applied from 1 July 2021. Changes to disclosures for Tier 2 Commonwealth entities were minimal with the recognition and measurement requirements in other Australian Accounting Standards (AAS) retained. There are no significant changes to accounting standards affecting the Commonwealth for 2022–23.

With the revised Australian Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement* (ASA 315) effective for financial years commencing 2022–23, substantial changes have been made to audit methodology in response to new and revised requirements.

Assessment of the ethical use of public resources beyond technical compliance with rules and policy frameworks is a new and evolving area of focus. The ANAO has developed a framework against which to test ethics, and over the next four years will increase focus on the ethical aspect of proper use and management of public resources by Government entities.

Sustainability reporting is also a rapidly emerging area of interest. The ANAO is actively following national and international developments in sustainability reporting guidance and will continue to contribute to discussions as reporting and assurance standards develop.

The ANAO quality assurance framework is being updated to ensure compliance with the new and revised Australian Quality Management Standards effective 15 December 2022. The revised standards introduce a framework for quality management that is focused on proactively identifying and responding to quality risks. The standards include enhanced requirements for governance and leadership, monitoring and remediation.

Data analytics continues to be a focus for the ANAO, and audits undertaken in 2021–22 have continued to build on previous initiatives to enhance audit quality and efficiency.

Introduction

3.1 The Australian Government's financial reporting framework is based, in large part, on standards made independently by the Australian Accounting Standards Board (AASB). The framework is designed to support decision-making by, and accountability to, the Parliament.

3.2 The AASB bases its accounting standards on the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. As IFRS are designed primarily for use by private sector and for-profit organisations, the AASB amends the IFRS to reflect significant transactions and events that are particularly prevalent in the public sector and not-for-profit private sector. In doing so, it considers standards issued by the International Public Sector Accounting Standards Board (IPSASB).

3.3 The Minister for Finance prescribes additional financial reporting requirements for Commonwealth entities. These are contained in the *Public Governance, Performance and*

Accountability (Financial Reporting) Rule 2015 (the FRR). The FRR is made under the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act).

3.4 The audits of the financial statements of Australian Government entities are conducted in accordance with the ANAO Auditing Standards, which are made by the Auditor-General under section 24 of the *Auditor-General Act 1997*. The ANAO Auditing Standards incorporate, by reference, the auditing standards made by the Australian Auditing and Assurance Standards Board (AUASB). The AUASB bases its standards on those made by the International Auditing and Assurance Standards Board (IAASB), an independent standard setting board of the International Federation of Accountants.

3.5 The financial reporting and auditing frameworks that applied in 2021–22 are illustrated in Appendices 3 and 4 of this report.

Changes to the Australian public sector reporting framework

Changes to accounting standards

3.6 A new standard, AASB 1060, applied from 1 July 2021. The changes to disclosures were minimal for Tier 2 Commonwealth entities with the recognition and measurement requirements in other AAS retained. Changes to the FRR were made because of the adoption of AASB 1060 including the requirement for all entities to apply Tier 1 disclosures when applying AASB 16 *Leases*, disclose revenue recognised from contracts with customers and impairment losses on receivables arising from contracts with customers.

Changes to auditing standards

3.7 The revised ASA 315 will be effective for audits of financial reporting periods commencing 1 July 2022. The revisions respond to changes in the financial reporting environment including more complex financial reporting frameworks, technology being used to a greater extent, and entities and their governance structures becoming more complex.

3.8 The revised standard significantly enhances the auditor's considerations in relation to an entity's use of information technology (IT) and its impact on the audit. This includes new definitions for IT general controls and information processing controls and explicit recognition of automated tools and techniques by auditors. It also emphasises and strengthens the documentation requirements relating to the exercise of professional scepticism by the auditor.

3.9 The revised standard is a significant driver of change for the financial statements audit methodology (methodology) for 2022–23. There are a significant number of new and revised procedures including the requirement for auditors to undertake a more robust risk assessment process. Key changes to the methodology are designed to address specific requirements related to understanding the entity, which broadly include:

(a) more detailed requirements about understanding the operating environment of the entity;

(b) additional emphasis on understanding the entity's system of internal control and overall IT environment; and

(c) new requirements specific to understanding the risks arising from the entity's use of IT and related IT general controls addressing those risks.

3.10 Other changes to the methodology are intended to ensure that risks of material misstatement are identified appropriately based on inherent risk factors. This will enable the design of an effective audit approach that promotes consistency of execution, documentation and review.

Emerging areas

Auditing ethics

3.11 The *Public Governance, Performance and Accountability Act 2013* (PGPA Act) requires accountable authorities of Commonwealth entities to govern their entities in a way that promotes the proper use and management of public resources. The PGPA Act defines proper use as 'efficient, effective, economical and ethical'.

3.12 The ANAO assesses all aspects of the proper use of resources. A theme identified across a number of audits is a lack of adequate documentation and records to support the rationale for decisions made and actions undertaken. Lack of proper documentation of decision-making processes makes it difficult for entities to be assured that the activity was undertaken with integrity and without improper influence or consideration of inappropriate factors.

3.13 Greater scrutiny in this area will help ensure that the public sector is looking beyond technical compliance and operating in line with the intent of established rules and frameworks, alongside community expectations of integrity. A culture of integrity in an organisation flows from the standards set by its leaders.

3.14 The ANAO has developed an audit framework against which to test ethics, comprising:

(a) the applicable legal framework;

(b) activity-specific frameworks;

(c) Government Policy Orders; and

(d) entity-specific frameworks.

Sustainability reporting

3.15 Sustainability reporting encompasses the provision of financial and non-financial information on the social, environmental and economic impact of an entity's day-to-day activities. Global interest in sustainability reporting has accelerated in recent years and there is rapid progression towards the development of international sustainability-related disclosure standards to drive high-quality reporting that is consistent and comparable.

3.16 On 3 November 2021, the IFRS Foundation established the International Sustainability Standards Board (ISSB) to develop a comprehensive global baseline of sustainability-related disclosure standards focusing initially on the private sector. Noting that no equivalent international body had been tasked with considering sustainability-related disclosure standards in the public sector, the IPSASB identified itself as ideally placed to lead and expedite the development of public sector specific sustainability-related disclosure standards.

3.17 On 9 May 2022, IPSASB released a consultation paper *Advancing Public Sector Sustainability Reporting*[101] for public comment (the paper). The paper, amongst other things, sought views and comments on the need for global public sector specific sustainability reporting guidance, whether the IPSASB's experience, processes and relationships would enable it to develop global public sector specific sustainability reporting guidance effectively, and the sustainability-related topics considered most pressing and why they should be prioritised by IPSASB.

3.18 In late August and early September 2022, the ANAO led the Australasian Council of Auditors General (ACAG) Financial Reporting and Accounting Committee (FRAC) submission to IPSASB on the paper. ACAG FRAC provided support for the IPSASB preliminary views that:

(a) there is a need for global public sector sustainability reporting guidance;

(b) the IPSASB's experience, processes and relationships would it enable it to develop global public sector sustainability guidance effectively;

(c) the IPSASB works in collaboration with other international bodies such as the ISSB, International Auditing and Assurance Standards Board (IAASB) and the International Organisation of Supreme Audit Institutions (INTOSAI), and makes adaptations to address public sector sustainability issues;

(d) global public sector-specific sustainability reporting guidance would address general sustainability-related information and climate disclosures first; and

(e) key enablers for the development of global public sector specific sustainability reporting guidance are:

- appropriate resourcing;
- an experienced and active Sustainability Reference Group to advise the IPSASB;
- ensuring IPSASB members have sufficient time to devote to sustainability reporting; and
- effective co-ordination and dialogue with other sustainability standard setters.

3.19 ACAG FRAC also:

(a) supported the IPSASB in considering the United Nations Sustainable Development Goals and interfacing with the IPSASB Natural Resources Project in developing sustainability-related guidance;

(b) noted the European Financial Reporting Advisory Group (EFRAG) proposal to use the Environment, Social and Governance (ESG) classification with comprehensive sub-topics and supported its use to prioritise topics for developing sustainability-related guidance[102]; and

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101 IPSASB Consultation Paper (9 May 2022), *Advancing Public Sector Sustainability Reporting,* https://www.ipsasb.org/publications/consultation-paper-advancing-public-sector-sustainability-reporting [Accessed 7 October 2022]

102 EFRAG (February 2021), https://www.efrag.org/Assets/Download?assetUrl=%2Fsites%2Fwebpublishing%2FSiteAssets%2FEFRAG%2520PTF-NFRS_MAIN_REPORT.pdf (page 10).

(c) requested that the IPSASB consider the auditability of sustainability-related information concurrently to ensure timely workable standards and guidance.

3.20 In Australia, the Financial Reporting Council (FRC), AASB and AUASB (the Boards) similarly noted increased stakeholder demand for authoritative guidance on sustainability-related matters. In November 2021, the Boards announced the intent to develop an Extended External Reporting (EER) regime within the current framework for financial reporting. The AASB will develop reporting requirements for sustainability-related matters in Australia and the AUASB will simultaneously update relevant assurance standards[103], which are already capable of addressing current voluntary disclosures[104].

3.21 In June 2022, the AASB confirmed that the sustainability reporting requirements will be based on the ISSB standards with modifications for Australian matters and requirements necessary to meet the needs of Australian stakeholders[105], and on 7 October 2022, the AUASB confirmed that it will consider the work of IAASB[106] and other international frameworks noting that the existing AUASB standards remain robust and appropriate[107].

3.22 The ANAO is actively following national and international developments in sustainability reporting and assurance and will continue to contribute to discussions on this matter as the reporting and assurance standards develop. The ANAO notes, at this stage, there has been little active discussion on sustainability reporting at the Commonwealth public sector level.

Quality assurance framework and reporting

ANAO quality assurance framework

3.23 The quality of ANAO audit work is reliant on the strength of its independence and quality control processes. The ANAO defines audit quality as the provision of timely, accurate and relevant audits, performed independently in accordance with the Auditor-General Act, ANAO auditing standards and methodologies, which are valued by the Parliament. Delivering quality audits results in improved public sector performance through accountability and transparency.

3.24 The ANAO Quality Assurance Framework and Plan 2022–23 is published on the ANAO website and articulates the system of quality control that the ANAO has established to support the delivery of high-quality audit work and enables the Auditor-General to have confidence in the opinions and conclusions in the reports prepared for the Parliament.

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103 ASAE 3000 *Assurance Engagement Other than Audits or Reviews of Historical Financial Information* and ASAE 3410 *Assurance Engagements of Greenhouse Gas Emissions*.

104 FRC/AASB/AUASB Position Statement (November 2021), *Extended External Reporting and Assurance*, AASB-AUASB, FRC Position Statement 11/21 [Accessed 7 February 2022].

105 AASB Staff Article (June 2022), *Project Insights: Developing sustainability-related financial reporting standards in Australia*, https://aasb.gov.au/media/hndlldgr/staffarticle_sr_australianapproach_06-22.pdf [Accessed 7 October 2022].

106 During September 2022, the IAASB approved a project proposal to develop the overarching standard for assurance on sustainability reporting. IAASB (September 2022), Assurance on Sustainability Reporting, https://www.iaasb.org/consultations-projects/assurance-sustainability-reporting, [Accessed 12 October 2022].

107 AUSASB (7 October 2022) *Sustainability Assurance Update*, https://auasb.gov.au/media/lhwp1rep/sustainabilityassuranceupdate_10-22.pdf [Accessed 11 October 2022].

3.25 The ANAO quality assurance framework complies with the requirements of 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*. The AUASB has issued three revised Australian Quality Management Standards that become effective on 15 December 2022:

- ASQM 1 – *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements;*
- ASQM 2 – *Engagement Quality Reviews;* and
- ASA 220 – *Quality Management for an Audit of a Financial Report and Other Historical Information.*

3.26 The revised standards introduce a quality management approach that is focused on proactively identifying and responding to risks relating to quality. The standards include enhanced requirements and focus on governance and leadership, monitoring and remediation. In the key deliverables set out in the ANAO Quality Assurance Framework and Plan 2022–23, the ANAO will implement enhancements to the ANAO Quality Assurance Framework to ensure compliance with the three new and revised standards by 15 December 2022. The enhancements to the framework will respond to the quality risks that arise in audits of public sector entities.

Ethics, independence and integrity

3.27 Ethical requirements, with a focus on independence are core to the quality framework. The fundamental principles of professional ethics, as set out in APES 110 *Code of Ethics for Professional Accountants (including independence standards),* are integrity; objectivity; professional competence and due care; confidentiality; and professional behaviour. The ANAO maintains a continued focus on independence through the application of ANAO independence policies that manage threats to independence in the conduct of the ANAO's work. The ANAO Integrity Framework sets out the ANAO's integrity control system, supporting our organisation's integrity. The framework encompasses the ANAO Integrity Statement, which describes five key principles of integrity that staff at the ANAO uphold — independence, honesty, accountability, openness and courage.

Quality control and consultation processes

3.28 In the conduct of their work ANAO auditors apply a robust methodology to drive consistent quality and compliance with the ANAO Auditing Standards. The ANAO audit methodology incorporates policies regarding direction, supervision and review, consultation on significant technical and ethical issues, engagement quality control review of high-risk audits and documentation of audit evidence and work performed.

ANAO quality reporting

3.29 The Audit Quality Report 2021–22 demonstrates the ANAO assessment of the implementation and operating effectiveness of the elements of the ANAO Quality Assurance Framework. The report provides transparency in respect of the processes, policies, and procedures that support each element of the ANAO Quality Assurance Framework, and reports audit quality indicators measuring ANAO performance against target benchmarks. The report also includes the achievement of the quality assurance strategy and deliverables set out in the Quality Assurance Framework and Plan, including the results of internal and external quality assurance reviews.

Data analytics 2021–22

3.30 In the 2021–22 audit cycle, the ANAO applied three standardised data analytics solutions to audits, at least one of which was used by more than 50 audit teams. Applying standard procedures for common audit processes reduces duplication of effort and improves quality by simplifying review and ensuring a consistent approach. The solutions have been developed with common tests, documentation and data requirements and focus on areas that are applicable to many audits. These include:

- an employee entitlements recalculation analytic;
- a tool for the risk assessment of journal entries to enhance fraud risk testing; and
- a solution for the testing of appropriations.

3.31 In addition to standardised data analytics, the ANAO develops data analytics solutions tailored to specific audits. For financial statements audits, these solutions most typically recalculate or reconcile entity specific balances that would otherwise be manually intensive, such as own source revenue, expenses and administered funding. The ANAO is also developing solutions based on common datasets (such as centralised government reporting for procurement and grant information) that can be used by all audit teams for risk assessment and planning.

3.32 Use of the standardised solutions is evaluated at the end of each audit cycle, with an evaluation for 2021–22 planned for December 2022. Previous evaluations have shown that teams realise both efficiency and quality improvements from the use of the standardised data analytics solutions, however audit teams continue to experience challenges acquiring quality data. The ANAO will continue to pursue efficiencies in the acquisition of data through collaboration with audit entities and the application of new technology to streamline data transfer and analytics process.

4. Results of financial statements audits by portfolio

Chapter coverage

This chapter outlines the results of the audits of the 2021–22 financial statements of individual entities by portfolio based on administrative arrangement orders existing as at 30 June 2022.

The chapter also details an overview of the portfolio and each material[a] entity's primary role in the portfolio as well as:

- a summary of financial performance that provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items and commentary regarding significant movements;
- the number of audit differences reported to all entities within the portfolio;
- a summary of the key areas of financial statements risk and the factors contributing to those risks for all material entities. This includes identification of key audit matters (KAM) for relevant entities;
- the status of significant and moderate audit findings reported during 2021–22 and previous years for all entities;
- results of ANAO's review of the ABC defamation matter where the ABC met the legal met the legal costs and liability of an ABC journalist. To the ANAO's knowledge there was no policy, precedent, process or documented advice prepared by the ABC to support the appropriateness of the decision to pay the damages and legal costs of the ABC journalist. During 2021–22 the total payments made by the ABC in relation to the private defamation case were $222,840 (see paragraphs 4.10.32 to 4.10.38); and
- analysis in relation to the Department of Defence's use of non-operating funding available from *Appropriation Act (No. 2) 2020–21* for the termination payment in relation to the cancelled Attack Class submarine project (operating expenditure). It is not clear that the Parliament, in passing the Act, intended for a non-operating appropriation to be used the purpose of funding Defence's operating expenditure. Subsequent AGS and Department of Finance advice has not considered this to be inconsistent with the Appropriation Acts. The risk for the Parliament from this precedent is that the controls and framework supporting the appropriation and expenditure of funds it may have reasonably considered to be in place, for example that an appropriation for non-operating purposes could only be used for that purpose, may not in fact exist or being followed by entities (see paragraphs 4.3.41 to 4.3.50).

Audit results

One significant and 27 moderate audit findings were reported in 2021–22 (compared with two significant and 21 moderate findings in 2020–21) and three significant legislative breach (compared with three in 2020–21).

Note a: Three subsidiary entities classified by the Department of Finance as material are consolidated into parent entities. These entities are: ANSTO Nuclear Medicine Pty Ltd (consolidated into Australian Nuclear Science and Technology Organisation; CSIRO General Partner Pty Ltd (consolidated into Commonwealth Scientific and Industrial Research Organisation); and Voyages Indigenous Tourism Australia (consolidated into Indigenous Land and Sea Corporation).

4.0.1 A central element of the ANAO's financial statements audit methodology, and the focus of the planning phase of the ANAO audits, is a sound understanding of an entity's environment and internal controls relevant to assessing the risk of material misstatement in the financial statements. This understanding informs the ANAO's audit approach, including the reliance that may be placed on entity systems to produce financial statements that are free from material misstatement. The interim phase of the audit assesses the operating effectiveness of controls. In the final audit phase, the ANAO:

- completes its assessment of the effectiveness of controls for the full year;
- substantively tests material balances and disclosures in the financial statements; and
- finalises its audit opinion on the entity's financial statements.

4.0.2 In accordance with generally accepted auditing practice, the ANAO accepts a low level of risk that the audit procedures will fail to detect that the financial statements are materially misstated. This low level of risk is accepted because it is too costly to perform an audit that is predicated on no level of risk. Specific audit procedures are performed to ensure that the risk accepted is low. These procedures include:

- obtaining knowledge of the entity and its environment;
- reviewing the operation of internal controls;
- undertaking analytical reviews;
- testing a sample of transactions and account balances and/or conducting data analytics over entire populations; and
- confirming significant year end balances with third parties.

4.0.3 Where a performance audit was tabled during 2021–22 that was relevant to the financial management or administration of an entity, the impact of those observations on the audit approach will be discussed within the relevant portfolio section. For audits tabled from 1 July 2022 onwards, relevant observations will inform the ANAO's 2022–23 financial statements audit risk identification process.

4.0.4 This chapter reflects portfolio arrangements as at 30 June 2022 as established by the 18 March 2021 Administrative Arrangements Order.[108] Administrative Arrangement Orders commencing after 30 June 2022[109] are not taken into consideration. The following information for each portfolio is included in this chapter:

- an overview including:
  - an analysis of income, expenses, assets and liabilities that contributed to the 2021–22 CFS; and
  - a table of the number of audit differences reported to entities in the portfolio;
- for each material entity within the portfolio:

108 These arrangements were established by the Administrative Arrangements Order of 18 March 2021 incorporating amendments up to 30 June 2022. A full listing of entities per the arrangements effective at 30 June 2022 is presented at Appendix 1.

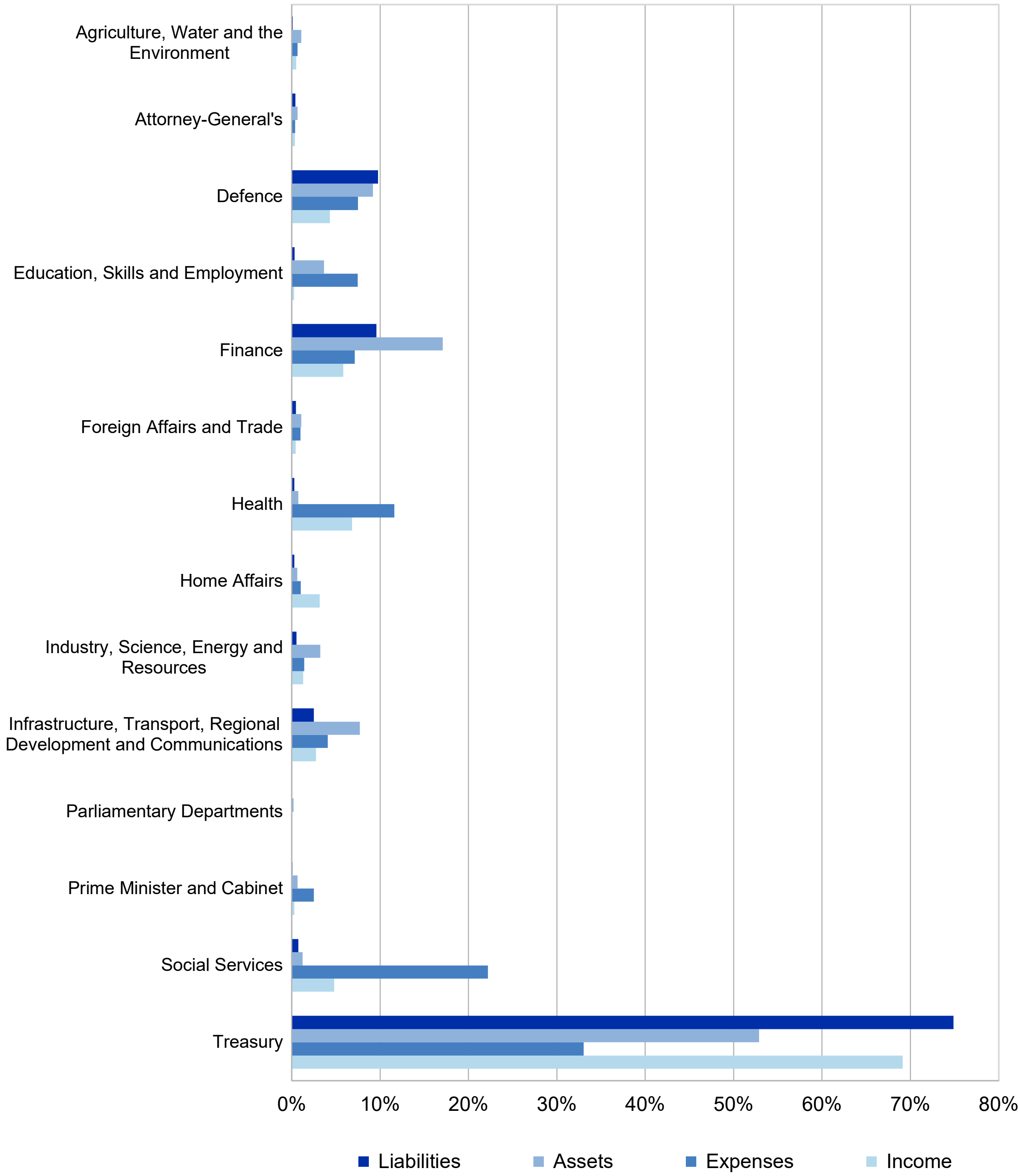
109 This includes the Administrative Arrangement Orders signed 1 June 2022 and 23 June 2022 to commence 1 July 2022.

  - the primary role of the entity;
  - a summary of financial performance that provides a comparison of the 2020–21 and 2021–22 key financial statements items and commentary regarding significant movements; and
  - key areas of financial statements risk including those areas identified as key audit matters (KAM)[110];
- the status of significant and moderate audit findings reported in 2021–22 and previous years for all entities.

4.0.5 Figure 4.0.1 below provides each portfolio's contribution, as a percentage of the Australian Government's 2021–22 Consolidated Financial Statements (CFS).

110 For further details on KAMs refer to Chapter 2 paragraphs 2.32 to 2.35.

Figure 4.0.1: Portfolio's contribution as a percentage of the Australian Government's 2021–22 Consolidated Financial Statements



Source: ANAO analysis of 2021–22 CFS.

4.0.6 Table 4.0.1 below presents a summary of significant and moderate findings reported as at 30 June 2022 and 30 June 2021 by portfolio and entity, including the number of findings carried forward as unresolved from the previous year. The findings and associated recommendations were agreed by all entities except for one moderate finding reported to the Department of the Treasury.

Table 4.0.1: Significant and moderate audit findings by portfolio and entity

Portfolio	Entity	30 June 2022		30 June 2021	
		New findings[a]	Repeat/ unresolved findings[b]	New findings[a]	Repeat/ unresolved findings[b]
Agriculture, Water and the Environment	Department of Agriculture, Water and the Environment	1	–	–	–
Attorney-General's	Attorney-General's Department	1	–	–	–
	Administrative Appeals Tribunal	1	–	–	
	Australian Human Rights Commission	–	–	1	–
Defence	Department of Defence	1	3	3	1
	Royal Australian Air Force Veterans' Residences Trust	1	–	–	–
	Department of Veterans' Affairs	3	5	6	–
Education, Skills and Employment	Department of Education, Skills and Employment	1	–	–	–
Health	Department of Health	1	–	–	1
Home Affairs	Australian Federal Police	–	–	1	–
Industry, Science, Energy and Resources	Australian Nuclear Science and Technology Organisation	–	1	1	2
	Clean Energy Regulator	1	–	–	–
Infrastructure, Transport, Regional Development and Communications	Department of Infrastructure, Transport, Regional Development and Communications	1	–	–	–
Parliamentary Departments	Department of Parliamentary Services	–	–	1	–

Portfolio	Entity	30 June 2022		30 June 2021	
Prime Minister and Cabinet	Northern Land Council	–	1	–	1
Social Services	Department of Social Services	–	1	–	1
	National Disability Insurance Scheme Agency	–	1	1	–
	NDIS Quality and Safeguards Commission	1	–	–	–
	Services Australia	–	–	–	1
Treasury	Department of the Treasury	1	–	–	–
	Australian Taxation Office	2	–	2	–
Total		**16**	**12**	**16**	**7**

Note a: Minor findings identified previously and reclassified to a moderate or significant finding are categorised as new findings for the purposes of this table.

Note b: Repeat/unresolved findings are categorised as such if unresolved from a prior financial year. Findings transferred to another entity as a result of machinery of government changes which remain unresolved are treated as repeat findings for the purposes of this table.

Note c: Significant findings that have been downgraded to moderate findings in the current year are categorised as unresolved for the purposes of this table.

Note d: Legislative breaches are not included in the table above. Three significant legislative breaches were reported in 2021–22. For further details refer to individual entity contributions in this chapter for Australian Financial Security Authority paragraph 4.2.51; Royal Australian Air Force Welfare Recreational Company paragraphs 4.3.126 – 4.3.130; and Northern Land Council paragraphs 4.12.53 – 4.12.59 .

Source: ANAO correspondence 2020–21 and 2021–22.

4.1 Agriculture, Water and the Environment portfolio

Portfolio overview

4.1.1 For the period ending 30 June 2022 Agriculture, Water and the Environment portfolio was responsible for advising the government and implementing programs with respect to the environment; meteorological services; climate change adaption strategy and science; water resources; rural adjustment and drought issues; plant and animal biosecurity; and Antarctica and Australia's agricultural, fisheries, food and forestry industries. Table 4.1.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.1.1: Agriculture, Water and the Environment portfolio material and other entities discussed in this chapter

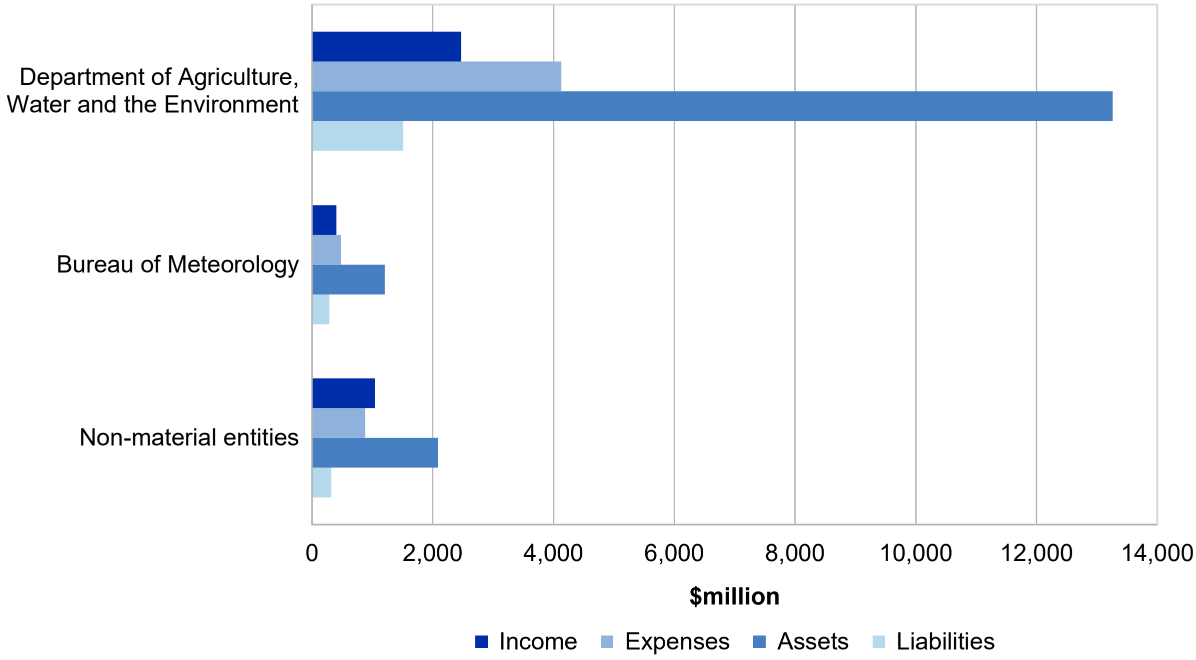
Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Agriculture, Water and the Environment	**Yes**	Moderate	✓	8 Sept 2022	8 Sept 2022	◆
Bureau of Meteorology	**Yes**	Moderate	✓	1 Sept 2022	1 Sept 2022	Nil

✓: auditor's report not modified

◆: new significant or moderate issues and/or legislative matters noted

4.1.2 Figure 4.1.1 shows the Agriculture, Water and the Environment portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.1.1: Agriculture, Water and the Environment portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 Consolidated Financial Statements.

4.1.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.1.2 provides a summary of those audit differences that relate to entities within the Agriculture, Water and the Environment portfolio.

Table 4.1.2: The number of audit differences reported to entities in the Agriculture, Water and the Environment portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Agriculture, Water and the Environment	1	–	1	1	3	4
Australian Fisheries Management Authority	–	3	3	–	–	–
Australian Pesticides and Veterinary Medicines Authority	–	1	1	–	1	1
Bureau of Meteorology	–	3	3	2	1	3
Director of National Parks	–	1	1	–	–	–
Fisheries Research and Development Corporation	–	1	1	–	–	–

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Grains Australia Limited	▬	▬	▬	–	2	2
Grains Research and Development Corporation	–	–	–	–	1	1
Great Barrier Reef Marine Park Authority	2[a]	2	4	–	3	3
Regional Investment Corporation	–	2	2	–	–	–
Rural Industries Research and Development Corporation	–	–	–	1	–	1
Sydney Harbour Federation Trust	1	–	1	–	–	–

▬: financial statements not signed as at 2 December 2022

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Source: ANAO analysis of audit differences reported to entities in the DAWE portfolio.

4.1.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Agriculture, Water and the Environment, and findings for other material entities and non-material entities in the portfolio.

Department of Agriculture, Water and the Environment

4.1.5 The DAWE is responsible for developing and implementing policies and initiatives to promote more sustainable, productive, internationally competitive and profitable Australian agricultural, food and fibre industries; and safeguarding Australia's animal and plant health status to maintain overseas markets and protect the economy and environment from exotic pests and diseases

Summary of financial performance

4.1.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DAWE (as outlined in Table 4.1.3 and Table 4.1.4) and includes commentary regarding significant movements between years.

Table 4.1.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(1,231.7)	(914.0)
Revenue from government	1,130.7	966.1
Surplus/(deficit) attributable to the Australian Government	(101.0)	52.0
Total other comprehensive income/(loss)	88.4	139.1
Total comprehensive income/(loss) attributable to the Australian Government	(12.6)	191.1
Total assets	1,968.3	2,058.7
Total liabilities	1,187.3	1,381.2
Total equity	781.0	677.5

Source: DAWE's audited financial statements for the year ended 30 June 2022.

4.1.7 In 2021–22 there was a decrease in total comprehensive income attributable to the Australian Government of $203.7 million. The main drivers included the following offsetting factors:

- an increase in supplier expenses of $325.9 million, mainly due to the approved operating loss for 2021–22, the department sought and received approval to spend funds from prior periods which were impacted by delays from procurement and activity due to the COVID-19 pandemic, and the impact of new budget measures and outcomes in 2021–22; and
- the remeasurement of the Antarctic restoration provision due to changes in economic assumptions, mainly the long-term discount rate applied in the calculation of the provision, resulting in gains on provisions of $114.8 million and other comprehensive income of $64.3 million.

4.1.8 Total liabilities decreased by $193.9 million primarily due to a reduction in the value of the Antarctic restoration provisions. The decrease in the provision reflects updated economic assumptions compared to the prior year. The main movement was more favourable interest rates, which results in an increase in the assumptions relating to long-term discount rate applied in calculating the value of the provision (which is forecast to be settled over a long term). The decrease in the value of the provision is recognised as other gains and as a change in the asset revaluation reserve.

Table 4.1.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	2,310.8	2,477.1
Total income	893.8	719.5
Net (cost of)/contribution by services	(1,417.0)	(1,757.6)
Total other comprehensive income/(loss)	277.7	108.8
Total comprehensive income/(loss)	(1,139.3)	(1,648.8)
Total assets administered on behalf of Government	11,292.2	9,755.7
Total liabilities administered on behalf of Government	325.0	600.9
Net assets	10,967.2	9,154.8

Source: DAWE's audited financial statements for the year ended 30 June 2022.

4.1.9 The decrease in total expenses is mainly attributable to the following offsetting factors:

- a reduction in concessional loan discount expenses, recorded at the date at which a loan commitment to a farm business is made, of $396.6 million. The reduction in expenses is due to the approval of less loan commitments during 2021–22 compared to 2020–21; and
- an increase of $142.3 million in levy disbursements and Commonwealth contributions expenses for agricultural programs due to higher collections of levies from industry (refer to paragraph 4.1.10).

4.1.10 Total income has increased by $174.3 million mainly due to:

- additional taxation revenue from levies and charges of $111.3 million primarily attributable to an increase in agricultural production from favourable seasonal conditions, leading to larger harvests in field crops for which charges are levied; and
- additional interest revenue of $49.8 million, reflecting the overall increase in the total value of loans made to farm businesses.

4.1.11 Total comprehensive income increased primarily as a result of the revaluation gains of $192.9 million recorded on administered investments in Corporate Commonwealth entities (refer to paragraph 4.1.12) and the increase in the value of asset revaluation reserves owing to the increase of $84.7 million in the value of Commonwealth's share of the net assets in the joint operation – River Murray Operations.

4.1.12 Total assets have increased by $1,536.5 million due mainly to the following factors:

- an increase of $1,113.8 million in concessional loans to farm businesses by the Regional Investment Corporation made on behalf of DAWE;
- an increase to the fair value of investments in Corporate Commonwealth entities of $334.1 million, reflecting an increase in the underlying net assets of corporate entities within the Agriculture, Water and the Environment portfolio. The movement was mainly attributable to additional cash held by the Grains Research and Development Corporation, Director of National Parks and Murray Darling Basin Authority and an increase in the fair

value of non-financial assets recorded by the Sydney Harbour Federation Trust following a revaluation.

4.1.13 Total liabilities have decreased primarily as a result of the reduction for the provision for loan commitments to farm businesses of $301.5 million. This provision represents the value of the concessional discount on loans contracted but not yet settled on behalf of DAWE by the Regional Investment Corporation. The decrease reflects the settlement of a significant number of contracted loans during 2021–22.

Key areas of financial risk

4.1.14 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DAWE's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.1.5.

Table 4.1.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Antarctic solid waste disposal sites $141.2 million Antarctic regions $307.0 million	Valuation of the Antarctic restoration provision KAM	**Higher**	• nature of the Australian Government's obligations under the Madrid Protocol to maintain and remediate the impact of operations in Antarctica; • complex mathematical model with a number of inputs and data sources; and • the provision is subject to increased judgment and estimation, particularly relating to discount rates, escalation factors, asset replacement costs, dismantling costs and useful lives.
Administered loan receivables $2.6 billion interest $83.7 million Loan commitments to farm businesses $10.7 million	Valuation of loans to state and territory Governments and farm businesses KAM	**Higher**	• complexity in the accounting treatment for loans deemed concessional in nature, including judgements in estimating the market rate that would otherwise apply to the loan; • the level of estimation involved in determining expected credit losses for loans at balance date due to assumptions relating to the security held against each loan, likelihood of enforcement of the security, impact of industry trading conditions and commodity pricing; and • significance of the reliance on third parties, including state and territory governments or the Regional Investment Corporation, for the management of loans to farm businesses. The third party is responsible for entering into loan agreements with eligible farm businesses, the approval of

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
			recipients, and the ongoing monitoring and maintenance of the loans.
Administered water entitlements (a component of water assets and intangibles) $4.0 billion	Valuation of water entitlements assets KAM	**Higher**	• significant judgement in the estimation of the value and impairment that is impacted by factors including the maturity and assessment of the water market; and • reliance on third parties for the provision of information to support the valuation.
Departmental revenue from contracts with customers $434.8 million	Accuracy and completeness of own-source revenue relating to import and export functions KAM	**Moderate**	• complex and large volume and value of revenue streams including differing charging methods, service provisions, legislative and cost recovery arrangements; • decentralised approach to service provision and revenue collection; • reliance on the services provided by the Department of Home Affairs for the collection and capture of revenue arising from import declarations; and • complexity and number of IT systems used to record and collect import and export revenue.
Administered levies and charges (a component of other tax revenue) $652.3 million	Accuracy and completeness of primary industry levies and charges revenue KAM	**Moderate**	• reliance on self-assessment by industry participants to calculate the revenue to be collected by DAWE, particularly the estimation of the level of agricultural production on which levies are calculated; and • the complexity of the IT environment used to calculate and collect levies and charges.

Source: ANAO 2021–22 audit results, and DAWE's audited financial statements for the year ended 30 June 2022.

Audit results

4.1.15 The following table summarises the status of the audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.1.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.1.16 For the findings listed below, the ANAO undertook additional audit procedures to gain assurance that DAWE's 2021–22 financial statements were not materially misstated.

New moderate audit finding

FMIS Privileged User Management

4.1.17 Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During 2021–22 the ANAO identified weaknesses in the effectiveness of DAWE's monitoring of privileged user activities within the Financial Management Information System (FMIS).

4.1.18 The ANAO identified that audit logs of privileged activity reports were not subject to regular review. In addition, reviews confirming the currency and need for user access to the FMIS were not completed for part of 2021–22. These reviews are required on a monthly basis by DAWE's internal policies and procedures. Failure to undertake these reviews increases the risk of erroneous or unauthorised changes to IT systems will not be identified and addressed. The ANAO recommended that DAWE recommence these reviews.

4.1.19 DAWE committed to reviewing and resolving the outstanding activity reports and logs to provide assurance over the appropriateness of privileged user activities. The ANAO will confirm the implementation and effective operation of the monitoring of privileged user access as part of the 2022–23 financial statements audit.

Bureau of Meteorology

4.1.20 The Bureau of Meteorology (the Bureau) is responsible for gathering weather, water and atmospheric observations in order to provide forecasts, warnings and long-term weather and climatic outlooks.

Summary of financial performance

4.1.21 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by the Bureau (as outlined in Table 4.1.7 and Table 4.1.8) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.1.7: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Revenue from government	315.7	269.9
Net (cost of)/contribution by services	(389.3)	(422.5)
Surplus/(deficit) attributable to the Australian Government	(73.5)	(152.6)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	(73.5)	(152.6)
Total assets	1,201.7	1,031.4
Total liabilities	289.1	294.4
Total equity	912.6	737.0

Source: The Bureau's audited financial statements for the year ended 30 June 2022.

4.1.22 The increase in revenue from government reflects additional funding received for new programs including support for the 'Building Australia's Resilience' budget measure which established the Australian Climate Service administered by the Bureau.

4.1.23 The decrease in the net cost of services of $33.2 million is mainly due to a decrease in depreciation and amortisation expenses associated with non-financial assets at the end of useful lives and less than expected roll-out of replacement assets.

4.1.24 The increase in total assets of $170.3 million is mainly attributable to:

- an increase in appropriation receivable of $95.2 million arising from delayed expenditure of equity appropriations arising from delays in supply of equipment arising from the impacts of the COVID-19 pandemic on the supply chain, resourcing shortfalls and deferral of certain projects to 2022–23;
- an increase in computer software of $65.0 million reflecting purchase and development of software to support the Bureau's operations.

Table 4.1.8: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	–	–
Total revenue	0.4	–
Surplus/ (deficit) attributable to the Australian Government	0.4	–
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	0.4	–
Total assets administered on behalf of Government	–	–
Total liabilities administered on behalf of Government	–	0.4
Net assets	–	(0.4)

Source: The Bureau's audited financial statements for the year ended 30 June 2022.

4.1.25 In 2018–19 the Bureau ceased activities in relation to the sale of third-party advertising which was reported as an administered activity. During 2021–22 all remaining administered balances related to this function were settled. As a result, from 2022–23, the Bureau is no longer expecting to prepare administered financial statements.

Key areas of financial risk

4.1.26 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of the Bureau's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.1.9.

Table 4.1.9: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental plant and equipment $449.5 million depreciation $69.7 million	Valuation of plant and equipment particularly specialised weather equipment	**Moderate**	• involves complex valuation processes that involve significant judgement and estimation by valuation experts; and • includes diverse types of assets such as radar and weather stations located across Australia and the external territories.
Departmental computer software $304.3 million amortisation $29.7 million	Valuation of computer software	**Moderate**	• significant investment in software including meteorological applications, super computer and data management; • high level of complexity involved in capturing costs and confirming these are capitalised in accordance with Australian Accounting Standards; and • significant reliance on management's judgements in relation to useful lives and impairment of these assets.
Departmental right-of-use assets $86.8 million lease liabilities $94.5million	Accounting for leases	**Moderate**	• considerable number of leases with varying terms and conditions, and a high level of manual input and judgement required to estimate the value of lease liabilities and right-of-use assets at year-end.

Source: ANAO 2021–22 audit results, and the Bureau's audited financial statements for the year ended 30 June 2022.

Audit results

4.1.27 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.2 Attorney-General's portfolio

Portfolio overview

4.2.1 The Attorney-General's (AGD) portfolio covers a range of functions and policy areas including legal services; national security and criminal law; industrial relations; work health and safety; rehabilitation and compensation; integrity and anti-corruption matters; the Commonwealth justice system, including courts, tribunals, justice policy, and legal assistance, regulation and reform; protecting and promoting human rights; government records management; and support for Commonwealth royal commissions. Table 4.2.1 identifies material and other entities specifically mentioned in this chapter.

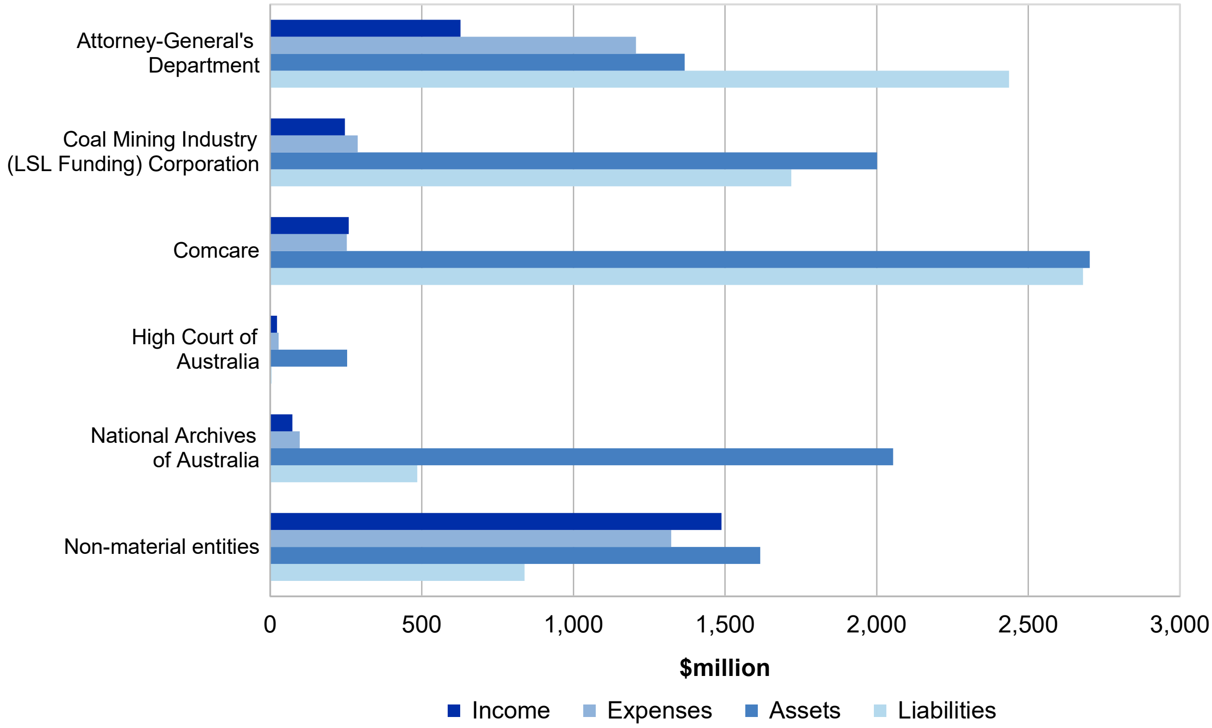
Table 4.2.1: Attorney-General's portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Attorney-General's Department	**Yes**	Moderate	✓	26 Sept 22	27 Sept 22	◆
Coal Mining Industry (Long Service Leave Funding) Corporation	**Yes**	Moderate	✓	13 Sept 22	13 Sept 22	Nil
Comcare	**Yes**	Moderate	✓	16 Sept 22	19 Sept 22	Nil
High Court of Australia	**Yes**	Low	✓	29 Sept 22	29 Sept 22	Nil
National Archives of Australia	**Yes**	Low	✓	23 Sept 22	27 Sept 22	Nil
Administrative Appeals Tribunal	No	Moderate	✓	13 Sept 22	15 Sept 22	◆
Australian Financial Security Authority	No	Moderate	✓	29 Sept 22	30 Sept 22	◆☐
Australian Human Rights Commission	No	Low	✓	7 Oct 22	10 Oct 22	☐
Seafarers Safety, Rehabilitation and Compensation Authority	No	Low	E	16 Sept 22	19 Sept 22	Nil

✓: auditor's report not modified
E: auditor's report contains an emphasis of matter
◆: new significant or moderate issues and/or legislative matters noted
☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.2.2 The Attorney-General's Department (AGD) is the lead entity in the portfolio and is responsible for Australia's law and justice framework and providing legal services to the Commonwealth. The department is also responsible for workplace relations, and work health and safety, rehabilitation and compensation. Figure 4.2.1 shows the Attorney-General's portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.2.1: Attorney-General's portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.2.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.2.2 provides a summary of those audit differences that relate to entities within the Attorney-General's portfolio.

Table 4.2.2: The number of audit differences reported to entities in the Attorney-General's portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Attorney-General's Department	2	4	6	–	–	–
Administrative Appeals Tribunal	–	2	2	2	–	2
Asbestos Safety and Eradication Agency	–	2	2	–	2	2
Australian Commission for Law Enforcement Integrity	1	–	1	–	–	–
Australian Financial Security Authority	–	–	–	–	3	3
Australian Human Rights Commission	–	2[a]	2	–	4	4

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Coal Mining Industry (Long Service Leave Funding) Corporation	1	–	1	1	–	1
Fair Work Commission	–	1	1	–	1	1
Fair Work Ombudsman and Registered Organisations Commission	–	1	1	–	1	1
National Archives of Australia	–	2	2	–	1	1
Office of the Australian Information Commissioner	–	1[a]	–	–	2	2
Office of the Commonwealth Ombudsman	–	–	–	–	1	1
Office of the Inspector-General of Intelligence and Security	1	–	1	–	–	–

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Source: ANAO analysis of audit differences reported to entities in the AGD portfolio.

4.2.4 The following section provides a summary of the 2021–22 financial statements audit results for the Attorney-General's Department, and findings for other material entities and non-material entities in the portfolio.

Attorney-General's Department

4.2.5 The Attorney-General's Department (AGD) supports the Attorney-General and Minister for Industrial Relations and the Assistant Minister to the Attorney-General and Assistant Minister for Industrial Relations. The role of the department is to contribute towards a just and secure society by maintaining and improving Australia's law, justice, security and integrity frameworks, and to facilitate jobs growth through policies and programs that promote fair, productive and safe workplaces.

Summary of financial performance

4.2.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by AGD and includes commentary regarding significant movements between years, as outlined in Table 4.2.3 and Table 4.2.4.

Table 4.2.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(228.5)	(220.2)
Revenue from government	233.9	227.5
Surplus/(deficit) attributable to the Australian Government	5.5	7.4
Total other comprehensive income/(loss)	–	(2.0)
Total comprehensive income/(loss) attributable to the Australian Government	5.5	5.4
Total assets	559.4	585.4
Total liabilities	393.0	427.7
Total equity	166.4	157.6

Source: AGD's audited financial statements for the year ended 30 June 2022.

4.2.7 Revenue from government has increased by $6.4 million mainly due to new measures including the Respect@Work implementation, woman's safety funding and the Royal Commission into Defence and Veteran Suicide.

4.2.8 Total assets and total liabilities have decreased by $26.0 million and $34.7 million respectively, mainly as a result of modifications to leases. The reduction in total assets was offset by an increase in the value of leasehold improvements.

Table 4.2.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	818.7	713.5
Total income	235.9	187.5
Surplus/ (deficit)	(582.9)	(526.0)
Total other comprehensive income/(loss)	26.0	244.2
Total comprehensive income/(loss) attributable to the Australian Government	556.9	(281.8)
Total assets administered on behalf of Government	784.9	811.0
Total liabilities administered on behalf of Government	2,042.2	2,088.3
Net assets/ (liabilities)	(1,257.3)	(1,277.3)

Source: AGD's audited financial statements for the year ended 30 June 2022.

4.2.9 The $105.2 million increase in total expenses is mainly due to increased staffing, hearings and report preparations for the Royal Commission into Defence and Veteran Suicide and the Disability Royal Commission. There was also an increase in grants expenditure for the Family Relationship Services program, domestic violence support, and community legal services in relation to Royal Commissions.

4.2.10 The $48.4 million increase in total income is primarily due to the recognition of a gain resulting from the return funding from Comcare for claims to be returned to the consolidated revenue fund. Comcare has arrangements for special appropriations funding for claims to be returned to the Commonwealth when it is surplus to Comcare's requirements, after third-party recoveries. AGD has subsequently transferred the funds to the consolidated revenue fund.

Key areas of financial risk

4.2.11 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of AGD's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.2.5.

Table 4.2.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental rendering of services $157.8 million goods and services receivables (a component of trade and other receivables) $48.1 million	Accuracy of the Australian Government Solicitor's (AGS) revenue, and the accuracy and completeness of AGS trade receivables, from rendering of services	**Moderate**	• the value and timing of revenue recognition is determined with reference to time recorded on various Australian Government Solicitor matters, the completion and recovery of matters and the valuation of work-in-progress at year-end is subject to management judgement.
Administered Personal benefits expenses $97.3 million	Accuracy and occurrence of administered personal benefits expenses relating to the Fair Entitlements Guarantee (FEG) scheme	**Moderate**	• complex legislative requirements relating to claims eligibility, calculation of benefit amounts and subsequent payments; and • the significance of the value of debts and liabilities that are recognised relating to the FEG scheme.

Source: ANAO 2021–22 audit results, and AGD's audited financial statements for the year ended 30 June 2022.

Audit results

4.2.12 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.2.6: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.2.13 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that AGD's 2021–22 financial statements were not materially misstated.

New moderate audit finding

User Access Removal

4.2.14 The ANAO identified weaknesses in the process for the removal of user access when employees or contractors separated from AGD. In some instances, access was retained for up to 13 days. User accounts should be removed on the date of separation as there is no longer a business requirement for access after this date.

4.2.15 Consistent with the ANAO's recommendation, AGD has advised that the user access removal processes will be reviewed and strengthened, and a new monitoring process implemented. The ANAO will review the updated processes during the 2022–23 audit.

Coal Mining Industry (Long Service Leave Funding) Corporation

4.2.16 The Coal Mining Industry (Long Service Leave Funding) Corporation (Coal LSL) collects levies from employers to fund long service leave payments made to employees in the Australian black coal mining industry. The levies collected are invested until the employee takes long service leave, at which point the employer makes a payment to the employee and seeks reimbursement from Coal LSL in accordance with legislative arrangements.

Summary of financial performance

4.2.17 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Coal LSL (as outlined in Table 4.2.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.2.7: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(222.3)	77.5
Revenue from government	146.2	139.6
Surplus/(deficit) attributable to the Australian Government	(76.1)	217.1
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	(76.1)	217.1
Total assets	2,001.6	2,128.9
Total liabilities	1,718.0	1,769.2
Total equity	283.6	359.7

Source: Coal LSL's audited financial statements for the year ended 30 June 2022.

4.2.18 Net cost of services increased as a result of unfavourable movements in the fair value of investments held at 30 June 2022, in conjunction with an increase in net realised losses on sale of investments in 2021–22.

4.2.19 The decrease in total assets is attributable to the reduction in fair value of investments in unit trusts totalling $136.8 million at 30 June 2022. The movement in fair value is the result of realised and unrealised losses in fair value at year-end in comparison to 2020–21.

4.2.20 Total liabilities decreased in 2021–22 due to the reduction in the provision for reimbursements of $72.7 million. The reduction was largely attributable to a change in the discount rate used at 30 June 2022, partially offset by an increase in additional provisions recognised during 2021–22.

Key areas of financial risk

4.2.21 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Coal LSL's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.2.8.

Table 4.2.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Unit trust $1.9 billion	Valuation of investments	**Higher**	• complexity surrounding the valuation of unlisted unit trusts warrants a higher degree of focus than listed equities and fixed interest investments.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Provisions $1.7 billion	Valuation of provision for reimbursements	**Higher**	• Coal LSL makes a provision for the expected reimbursement of employer's long service leave obligations, based on a complex methodology and estimation process.

Source: ANAO 2021–22 audit results, and Coal LSL's audited financial statements for the year ended 30 June 2022.

Audit results

4.2.22 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Comcare

4.2.23 Comcare is the Commonwealth's work health and safety regulator, whose stated purpose is to 'promote and enable safe and healthy work'. It also administers the Commonwealth's workers compensation scheme and acts as an insurer and claims manager. Comcare's enabling role is focused on supporting engagement and better practice approaches to health and safety across its scheme.

Summary of financial performance

4.2.24 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Comcare (as outlined in Table 4.2.9) and includes commentary regarding significant movements between years.

Table 4.2.9: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	52.4	(21.6)
Revenue from government	43.9	51.2
Available funding from movement in claims provision	(88.8)	(37.6)
Surplus/(deficit) attributable to the Australian Government	7.5	(8.0)
Total other comprehensive income/(loss)	6.1	(0.1)
Total comprehensive income/(loss) attributable to the Australian Government	13.6	(8.1)
Total assets	2,702.8	3,168.5
Total liabilities	2,680.1	3,159.4
Total equity	22.7	9.1

Source: Comcare's audited financial statements for the year ended 30 June 2022.

4.2.25 The improvement in the net contribution by services was largely due to the net increase in gains from the movement in the workers' compensation claims provision and common law asbestos-related disease claims provision of $61.4 million. These movements reflect changes in economic assumptions including inflation and discount rates impacting on the actuarial valuation.

4.2.26 Comcare has arrangements for special appropriations funding for claims to be returned to the Commonwealth when it is surplus to Comcare's requirements, after third-party recoveries. This is reflected in the movement in the available funding from movement in claims provision.

4.2.27 Total assets decreased due to a reduction in Comcare's cash position of $446.5 million, and a reduction of $54.0 million in appropriations receivable. This is in line with the reduction in total payables, reflecting the settlement of a prior year payable to the ACT government and Australian National University. These entities have taken on relevant liabilities previously carried by Comcare as a result of becoming self-insured license holders under the *Safety, Rehabilitation and Compensation Act 1988*. The reduction in total liabilities, in addition to the above, was due to a decrease of $134.6 million in the common law asbestos-related disease claims provision and $15.1 million in the workers' compensation claims provision as a result of the current year actuarial valuation.

Key areas of financial risk

4.2.28 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Comcare's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.2.10.

Table 4.2.10: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Workers' compensation claims provision $1.9 billion common law asbestos related disease claims provision $695.6 million workers' compensation claims expense $182.1 million common law asbestos related disease claims expense $14.1 million	Valuation of workers' compensation and asbestos related disease claims provisions	**Higher**	• complex nature of the valuation of the provisions, including: the use of actuarial valuation models; the reliance on the accuracy of underlying assumptions including claims frequency and size, discount factors and establishment of procedure through case law, judgements and data; and the inherent difficulties in reflecting macro-economic trends in the valuation model.
Revenue from contracts with customers $209.8 million	Accuracy of revenue collection and recognition	**Moderate**	• complex nature of the legislative requirements due to the variety of criteria underpinning premium calculations.

Source: ANAO 2021–22 audit results, and Comcare's audited financial statements for the year ended 30 June 2022.

Audit results

4.2.29 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

High Court Australia

4.2.30 The High Court Australia (the Court) is responsible for interpreting and applying the law of Australia; and deciding on cases of special federal significance, including challenges to the constitutional validity of laws and hearing appeals, by special leave, from federal, state and territory courts.

Summary of financial performance

4.2.31 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by the Court (as outlined in Table 4.2.11 and Table 4.2.12) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.2.11: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(24.1)	(22.4)
Revenue from government	16.4	16.1
Surplus/(deficit) attributable to the Australian Government	(7.7)	(6.3)
Total other comprehensive income/(loss)	8.2	5.8
Total comprehensive income/(loss) attributable to the Australian Government	0.5	(0.5)
Total assets	253.5	249.1
Total liabilities	4.5	4.1
Total equity	248.9	245.0

Source: The High Court's audited financial statements for the year ended 30 June 2022.

4.2.32 The increase in other comprehensive income and total assets was a result of the annual valuation of the Court's building.

Table 4.2.12: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	–	–
Total income	2.0	2.5
Surplus/ (deficit) after income tax	2.0	2.5
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	2.0	2.5
Total assets administered on behalf of Government	0.1	0.2
Total liabilities administered on behalf of Government	–	–
Net assets	0.1	0.2

Source: The High Court's audited financial statements for the year ended 30 June 2022.

4.2.33 The Court's administered income relates to its filing and hearing fees. The decrease in administered income is due to lower volumes of filings and hearing in 2021–22.

Key areas of financial risk

4.2.34 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of the Court's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.2.13.

Table 4.2.13: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Land and buildings $218.7 million	Valuation of land & buildings	**Moderate**	• the valuation of land involves the exercise of judgement due to the restricted nature and unique characteristics of the land; and • the valuation of buildings is subject to judgement due to the limited availability of observable inputs for the valuation due to the building's special purpose and heritage listing and the volume of individually significant components of the building which have different replacement costs and remaining useful lives.

Source: ANAO 2021–22 audit results, and the Court's audited financial statements for the year ended 30 June 2022.

Audit results

4.2.35 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Archives of Australia

4.2.36 The National Archives of Australia (National Archives) is an Australian Government entity established under the Archives Act 1983. The National Archives sets information and data management policy and standards for Australian Government entities to meet in creating, retaining, maintaining, securing, preserving, appropriately disposing of, and providing appropriate access to trusted government information and data; and collects records of government decisions and actions.

Summary of financial performance

4.2.37 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by National Archives (as outlined in Table 4.2.14) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.2.14: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(84.6)	(74.3)
Revenue from government	70.7	67.3
Surplus/(deficit) attributable to the Australian Government	(13.8)	(7.0)
Total other comprehensive income/(loss)	0.6	46.9
Total comprehensive income/(loss) attributable to the Australian Government	(13.2)	39.9
Total assets	2,054.7	2,067.4
Total liabilities	485.4	498.2
Total equity	1,569.3	1,569.2

Source: The National Archives' audited financial statements for the year ended 30 June 2022.

4.2.38 Net cost of services increased due to the additional staffing levels and expenses resulting from the Defend the Past, Protect the Future (DPPF) program. The DPPF program is enabling the digital preservation of critical at-risk collection material before 2025.

4.2.39 The movement in assets is due to current year amortisation of the right-of use asset of $21 million, offset by an increase in property and plant and heritage and cultural assets of $9.2 million primarily due to the take on of new archive records. Movements in other balances reflect normal business activities.

Key areas of financial risk

4.2.40 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of National Archives' financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.2.15.

Table 4.2.15: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Heritage and cultural assets $1,541 million	Valuation of the archival collection	**Higher**	• the complex and unique nature of the archival collection.

Source: ANAO 2021–22 audit results, and National Archives' audited financial statements for the year ended 30 June 2022.

Audit results

4.2.41 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Comments on non-material entities

Administrative Appeals Tribunal

4.2.42 The Administrative Appeals Tribunal (AAT) conducts independent merits review of administrative decisions made by Australian Government ministers, departments and agencies and, in limited circumstances, state and territory government and non-government bodies.

Audit results

4.2.43 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.2.16: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results

4.2.44 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that AAT's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Lease management

4.2.45 The AAT uses a third-party provider, for the management and recording of leases. Documents relating to any new lease agreements or lease modifications are provided to the provider for entry into its system. All lease details and calculations are maintained in the provider's system and information is used by AAT as a basis for management and financial reporting.

4.2.46 ANAO testing identified an error in the input data for a lease modification resulting in an understatement of the right-of-use asset balance and the lease liability as well as the in-year impact to depreciation and interest expense. The adjustment required was material to the AAT financial statements.

4.2.47 In line with ANAO's recommendation AAT will implement appropriate review and quality assurance processes to ensure activity undertaken by the third-party provider is complete and accurate. The ANAO will review the design and implementation of this process as part of the 2022–23 financial statements audit.

Australian Financial Security Authority

4.2.48 The Australian Financial Security Authority (AFSA) is an executive agency responsible for Australia's personal insolvency and personal property securities systems. AFSA provides Official Trustee and registry services and administers the personal property securities register.

Audit results

4.2.49 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.2.17: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Legislated Breach (L1)	–	1	1	–
Total	**–**	**1**	**1**	**–**

Source: ANAO 2021–22 audit results

4.2.50 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that AFSA's 2021–22 financial statements were not materially misstated.

Resolved significant legislative breach

Overdrawn Special Account

4.2.51 During 2021–22, AFSA processed a transfer of funds that resulted in the overdrawing of the Confiscated Assets Special Account, and a breach of section 83 of the Constitution. A transfer reversing the incorrect amount was processed on the same day. AFSA implemented additional controls for all special accounts managed by the entity. Based on the implementation of the additional controls, this finding was considered resolved and closed during the 2021–22 final audit phase.

Australian Human Rights Commission

4.2.52 The Australian Human Rights Commission (the Commission) is Australia's national human rights institution. Its purpose is to ensure that Australians have access to effective, independent complaint handling and public inquiry processes on human rights and discrimination matters, and benefit from human rights education, advocacy, monitoring and compliance activities.

Audit results

4.2.53 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.2.18: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Significant (A)	1	–	1	–
Total	**1**	**–**	**1**	**–**

Source: ANAO 2021–22 audit results.

Resolved significant audit finding

Weaknesses relating to financial management

4.2.54 In 2020–21, the ANAO identified that the Commission had a history of operating deficits dating back to 2017–18. The continued deficits resulted in the Commission having a net liability position at year end for both 2019–20 and 2020–21. The ANAO recommended that the Commission review the design and effectiveness of its key financial management and budgetary controls.

4.2.55 During 2021–22, the Commission received an equity injection of $16.05 million to return the Commission to a financially sustainable footing. The equity injection was used to replenish the cash reserves in relation to previous overspends, to meet the redundancy commitments of the organisation and support the Commission's operations to 30 June 2022.

4.2.56 In 2021–22, the Attorney-General's Department established a tripartite steering committee, in conjunction with the Commission and the Department of Finance to support the development of options and the implementation of strategies to transition the Commission to a sustainable financial footing. To this end the financial management of the organisation has been significantly strengthened. A Director of Corporate Services role with oversight of Finance, Human resources and ICT has been created and a new Chief Finance Officer appointed. The budget management process has been improved by the establishment of budget reporting standards and thresholds for budget variances and commentary. New financial reporting processes have been implemented and budget monitoring mechanisms have been enhanced with the establishment of a budget steering committee to regularly review financial statements and budget variance reports and take appropriate corrective action, where required.

Seafarers Safety, Rehabilitation and Compensation Authority

4.2.57 Seafarers Safety, Rehabilitation and Compensation Authority (Seacare Authority) oversees a national scheme of occupational health and safety and worker's' compensation arrangements for defined seafarers. Seacare Authority administers the Seafarers Safety Net Fund that acts in the place of an employer if a default event occurs, enabling employees to lodge a claim event when there is no employer to lodge against.

Audit results

4.2.58 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Emphasis of matter

4.2.59 An Emphasis of Matter paragraph has been included in the 2021–22 auditor's report to draw users' attention to the material uncertainty related to going concern. Seacare Authority has been unable to negotiate insurance for the Seafarers Safety Net Fund beyond 31 March 2022.

Where a default event is accepted after 31 March 2022, Seacare Authority will be required to meet the obligations from the Fund's reserves, which may not be sufficient. These events and conditions, along with other matters disclosed in Seacare Authority's 2021–22 financial statements, indicate that a material uncertainty exists that may cast significant doubt on the ability of the Seacare Authority to maintain the Fund as a going concern.

4.3 Defence portfolio

Portfolio overview

4.3.1 The Defence portfolio includes a number of entities that together are responsible for the defence of Australia and its national interests. The principal entities within the portfolio are the Department of Defence (Defence); the Department of Veterans' Affairs (DVA); the Australian Signals Directorate; and Defence Housing Australia (DHA). DVA and its associated bodies, including the Australian War Memorial (AWM), is administered separately to Defence. DVA is the primary service delivery entity with the responsibility for implementing programs to assist the veteran and ex-service communities, including repatriation, rehabilitation and compensation, and war graves. Table 4.3.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.3.1: Defence portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Defence	**Yes**	High	✓	29 Sept 22	30 Sept 22	◆▲☐
Australian Signals Directorate	**Yes**	Moderate	✓	14 Sept 22	15 Sept 22	Nil
Australian War Memorial	**Yes**	Low	✓	19 Aug 22	22 Aug 22	Nil
Defence Housing Australia	**Yes**	Moderate	✓	01 Sept 22	02 Sept 22	Nil
Department of Veterans' Affairs	**Yes**	Moderate	E	28 Oct 22	1 Nov 22	◆▲☐
Army and Air Force Canteen Service	No	Low	╼	╼	╼	╼
Royal Australian Air Force Welfare Recreational Company	No	Low	✓	2 Dec 22	2 Dec 22	◆
Royal Australian Air Force Welfare Trust Fund	No	Low	╼	╼	╼	╼
Royal Australian Navy Central Canteens Board	No	High	╼	╼	╼	╼
Royal Australian Air Force Veterans' Residences Trust	No	Low	✓	2 Sept 22	2 Sept 22	◆
Royal Australian Navy Relief Trust Fund	No	Low	✓	05 Aug 22	05 Aug 22	☐

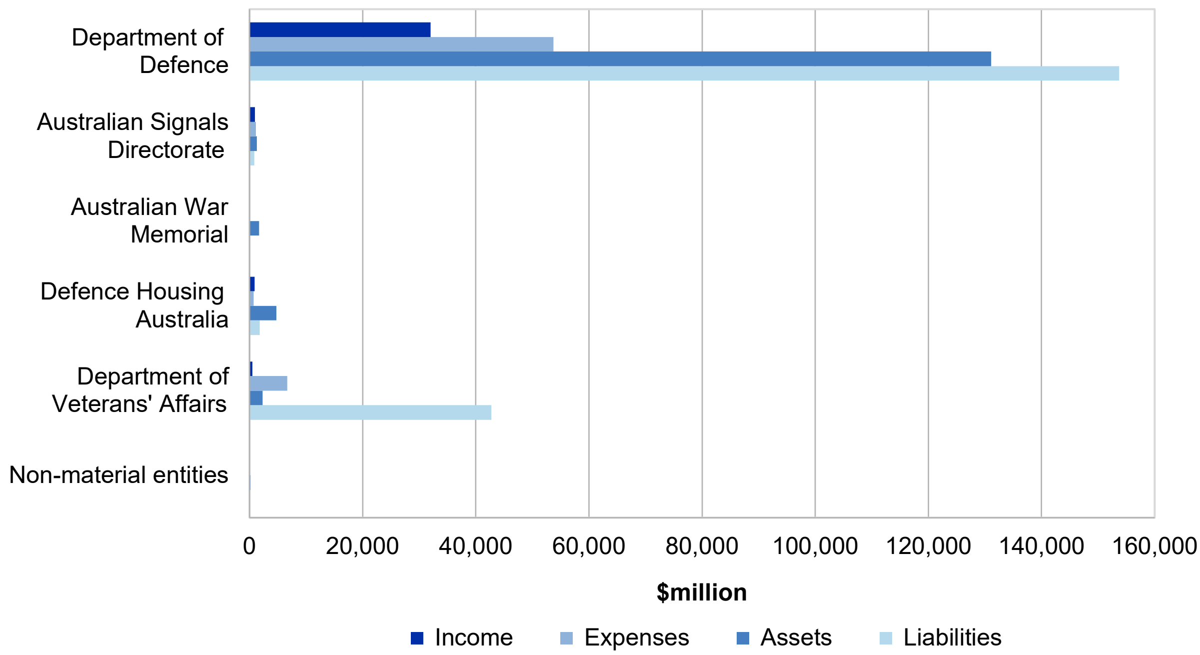
✓: auditor's report not modified
E: auditor's report contains an emphasis of matter
▲: significant or moderate issues and/or legislative matters reported previously not yet resolved
◆: new significant or moderate issues and/or legislative matters noted
☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved
╼: financial statements not signed as at 2 December 2022

4.3.2 Defence, including the Australian Defence Force (ADF), is responsible for protecting and advancing Australia's strategic interests through the promotion of security and stability, the provision of military capabilities to defend Australia and its national interests, and the provision of support for the Australian community and civilian authorities as directed by the Australian Government. In 2021–22, support for the community and civilian authorities included support to state and territory authorities during Operation COVID-19 Assist, as well as related support provided by Defence to other parts of the Australian Public Service.

4.3.3 At the time of finalisation of this report, three non material Defence portfolio entity financial statement audits for the year ended 30 June 2022 were still in progress. A number of emerging issues have been identified and have resulted in the delays to the finalisation of the audit. Refer to paragraph 4.3.114 for further information on these entities.

4.3.4 Figure 4.3.1 shows the Defence portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.3.1: Defence portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.3.5 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.3.2 provides a summary of those audit differences that relate to entities within the Defence portfolio.

Table 4.3.2: The number of audit differences reported to entities in the Defence portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Defence	24[a]	–	24	12[b]	5	17
Australian Signals Directorate	–	–	–	2	–	2
Australian Strategic Policy Institute Limited	2	1	3	–	2	2
Defence Housing Australia	1	–	1	–	1	1
Department of Veterans' Affairs	1	4	5	1	–	1
Defence Service Homes Insurance Scheme	–	1	1	–	–	–
Royal Australian Air Force Veterans' Residences Trust Fund	–	1	1	–	1	1
Royal Australian Navy Central Canteens Boards	▬	▬	▬	–	2	2

▬: financial statements not signed as at 2 December 2022

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Note b: The adjustments include adjustments identified in 2020–21 that relate to 2019–20

Source: ANAO analysis of audit differences reported to entities in the Defence portfolio.

4.3.6 The following section provides a summary of the 2021–22 financial statements audit results for Defence, and other material entities.

Department of Defence

4.3.7 Defence is responsible for protecting and advancing Australia's strategic interests through the promotion of security and stability; the provision of military capabilities to defend Australia and its national interests; and the provision of support for the Australian community and civilian authorities as directed by the Australian Government.

Summary of financial performance

4.3.8 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Defence (as outlined in Table 4.3.3 and Table 4.3.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.3.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(40,884.2)	(35,234.5)
Revenue from government	29,592.0	27,365.6
Surplus/(deficit) attributable to the Australian Government	(11,292.1)	(7,868.9)
Total other comprehensive income/(loss)	5,255.7	(793.1)
Total comprehensive income/(loss) attributable to the Australian Government	(6,036.4)	(8,662.0)
Total assets	127,325.8	118,907.2
Total liabilities	12,640.1	12,924.3
Total equity	114,685.7	105,982.9

Source: Defence's audited financial statements for the year ended 30 June 2022.

4.3.9 The net cost of services was higher due to an increase in supplier expenses, which included an $832 million payment to the Naval Group for the termination of the Attack Class submarine project and an increase in sustainment, repairs, overhaul and maintenance costs across a range of Defence assets. In addition, there was a large increase in the write-down and impairment of assets as previously capitalised costs associated with the Attack Class submarine project of $2.1 billion were written off during 2021–22.

4.3.10 Revenue from government continued to grow in line with expectations of increased levels of activity across Defence, , and to fund increased levels of capital and inventory acquisitions.

4.3.11 Total comprehensive income increased as a result of a $5.3 billion increase primarily from the revaluation of specialist military equipment.

4.3.12 Total assets and equity increased due to the revaluation adjustment mentioned above, and purchases of land and buildings, and specialist military equipment.

Table 4.3.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	10,907.8	9,900.1
Total income	1,650.9	1,532.8
Surplus/(deficit)	(9,256.8)	(8,367.3)
Total other comprehensive income/(loss)	46,977.0	14,451.0
Total comprehensive income/(loss)	37,720.1	6,083.7
Total assets administered on behalf of Government	3,749.1	3,276.8
Total liabilities administered on behalf of Government	141,086.0	180,497.4
Net assets	(137,336.9)	(177,220.6)

Source: Defence's audited financial statements for the year ended 30 June 2022.

4.3.13 The increase in total expenses was due to an increase in net service costs and notional interest costs associated with Defence's defined benefit superannuation schemes.

4.3.14 The significant increase in other comprehensive income and significant decrease in total liabilities are due to the increase in the government bond rates used to fair value Defence's defined benefit superannuation schemes.

Key areas of financial risk

4.3.15 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Defence's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.3.5.

Table 4.3.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Specialist military equipment (SME) $81.0 billion	Accuracy and valuation of SME KAM (valuation)	**Higher**	• the high degree of judgement applied by management and management's valuation expert to measure specialist military equipment at fair value due to the highly specialised nature of these assets; • the subjectivity in the valuation assessment due to the difficulty in obtaining the replacement costs of assets with a similar capability in the absence of an active market, the selection and application of appropriate indices, the determination and assessment of appropriate useful lives, and the identification of indicators of impairment; • the significant movements in the valuation of specialist military equipment account balances ($4.1 billion for the year ended 30 June 2022) resulting from the refinement of Defence's valuation methodology, undertaken by management's valuation expert; • the complexity and high degree of judgement in the cost attribution model that allocates accumulated capitalised costs on large scale acquisition projects between individual platform assets, associated spares and inventory; • prior year weaknesses identified in the internal controls for the Asset Valuation Model that allocate costs to assets under construction. The control weaknesses increase the risk that assets rolled out from

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
			assets under construction may be recorded at the incorrect value; and • the balance being significant relative to Defence's Statement of Financial Position.
Administered Employee provisions $140.7 billion	Accuracy, valuation and disclosure of administered employee provisions KAM (valuation)	**Higher**	• the measurement of the provision being complex, requiring significant professional judgement in the selection of key long-term assumptions (including such matters as salary growth and discount rates, pension indexation rate, pension take-up rate and invalidity retirements) to which the valuation of these plans is highly sensitive; and • detailed disclosure requirements for the presentation and disclosure of defined benefit plans.
Departmental Inventory including explosive ordnance (EO), fuel and general stores inventory (GSI) $7.9 billion	Existence and completeness of inventory balances KAM	**Moderate**	• variety and number of inventory items which are managed differently across a large number of geographically dispersed locations and through a number of IT systems.
Departmental General assets $33.8 billion	Accuracy and valuation of general assets KAM (valuation)	**Moderate**	• high degree of management judgement required in respect of classifying projects costs as capital or expense and the selection of valuation methods to measure fair value; • the valuation of Defence's land, buildings, infrastructure, plant and equipment and heritage and cultural assets being depended on assumptions that require significant management judgement. These include capitalisation rates, current replacement costs, discount rates, and conditions of the assets. Where observable market data is not available, the valuation is subject to a higher level of judgement; and • the subjectivity in determining appropriate useful lives and the assessment of the financial impact of indicators of impairment.

Source: ANAO 2021–22 audit results, and Defence's audited financial statements for the year ended 30 June 2022.

Audit results

4.3.16 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.3.6: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Significant (A)	1	–	1[a]	–
Moderate (B)	3	2[a,b]	1	4
Total	**4**	**2**	**2**	**4**

Note a: A significant audit finding related to the valuation of SME using the cost attribution model, raised during 2020–21, was downgraded to a moderate finding during the 2021–22 interim audit. A discussion of this finding can be found in the Auditor-General Report No.40 2021–22 *Interim Report on Key Financial Controls of Major Entities*. This finding remains unresolved.

Note b: A minor finding related to asset disposal processes, which was first raised in 2018–19 has been upgraded to a moderate finding during the 2021–22 audit.

Source: ANAO 2021–22 audit results.

4.3.17 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that Defence's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Weaknesses around the disposal of assets and inventory

4.3.18 Since 2018–19, the ANAO has identified a number of control weaknesses around the disposal of assets and inventory. The issues primarily relate to controls around the sign-off of paperwork to authorise the disposal of assets and inventory, and the timely recording of the disposal in the general ledger. The weaknesses have resulted in assets which have been disposed of in the incorrect reporting period, resulting in a misstatement in the financial statements.

4.3.19 During 2021–22 the ANAO continued to identify the issues with disposal processes. The risk rating of this finding has been increased to moderate noting Defence has not put in place appropriate controls to ensure compliance with its policies and procedures for the timely processing of asset and inventory disposals.

Downgraded significant audit finding

Valuation of specialist military equipment using the cost attribution model

4.3.20 To support its primary outcomes, Defence undertakes a number of high value equipment acquisition projects. These projects are complex and span multiple financial years. Judgement is applied to allocate capitalised costs between individual platform assets, associated spares and inventory.

4.3.21 Defence uses a cost attribution model (referred to by Defence as the Asset Valuation Model) to capture costs against applicable projects for SME assets under construction. The model uses a methodology to allocate project costs across the deliverables associated with the project. The Asset Valuation Model (AVM) captures both budget and actual costs. The ANAO identified internal control weaknesses in the methodology used by Defence to allocate costs relating to assets under construction. These included:

- limited policies and procedures outlining the approach to developing, maintaining, and recording transactions against the cost attribution model;
- the use of excel spreadsheets to record the AVM transactions, which have no evidenced controls or protection to prevent the accidental editing or deletion of data; and

- limited quality assurance mechanisms that could be relied upon to provide assurance over the asset allocations derived from the AVMs.

4.3.22 In addition, the ANAO noted that Defence does not capture employee-related costs as part of its asset under construction projects. There are currently no systems or processes to identify the time spent by officers on specific projects. Analysis of project employee costs estimate this to understate asset capitalisations by $62.7 million in 2021–22.

4.3.23 Assets under construction are recorded at cost. The weaknesses noted increase the risk that the valuation of SME and the associated depreciation expense is misstated in the financial statements.

4.3.24 The ANAO recommended that Defence:

- consider the development of an IT solution to transition project management from excel spreadsheets or consider ways to implement controls to reduce the risks associated with unintended or unauthorised changes to the spreadsheets;
- develop guidelines, policies and procedures to assist project managers with the development, maintenance and recording of transactions associated with the cost attribution model. The guidelines should also aim to increase consistency across projects, where appropriate;
- implement quality assurance processes to provide assurance for financial reporting purposes;
- develop and implement a year-end close process to ensure that projects are up to date and complete for reporting as at 30 June. This should include examining the appropriateness of using budget figures to adjust asset roll-out costs; and
- consider implementing a time recording system to capture employee costs associated with each project. Costs should be capitalised to projects in accordance with AASB 116 Property, Plant and Equipment.

4.3.25 Defence has agreed to the recommendations made by the ANAO and has updated its policies, processes and guidelines to improve the consistency of judgements across SME projects. The new policy has been implemented with effect from 1 July 2022 and will apply to new projects. The ANAO will review the effectiveness of the implementation of the new policy and processes as part of the 2022–23 audit. The audit finding has been downgraded to a moderate risk in recognition of Defence's significant progress in remediating the weaknesses identified.

Resolved moderate audit finding

Specialist military equipment valuation methodology

4.3.26 Defence holds a SME asset base to maintain its defence capability requirements and undertakes a fair value assessment of these assets in accordance with Australian Accounting Standard AASB 13 *Fair Value Measurement*. The ANAO assessed whether the selection of the method for determining fair value was appropriate for each class of SME and whether the key assumptions used in the valuation methodology were reasonable and appropriately supported.

4.3.27 The ANAO identified instances where the judgements supporting the valuation estimates were inconsistently applied or were not supported by a documented rationale, and instances where the indices used in valuations were not as at 30 June.

4.3.28 The ANAO also identified the following:

- Defence had not considered whether capabilities of similar assets could be adjusted to arrive at the asset's current replacement cost when applying the comparator approach;
- Defence had not assessed the appropriateness of using adjusted market inputs when an asset had been constructed over an extended period of time;
- an assessment of the continued appropriateness of the application of indices for a particular asset had not been performed; and
- procedures to retrospectively assess whether estimates made in prior years were appropriate had not been implemented.

4.3.29 Weaknesses in the valuation methodology increase the risk of a material misstatement in the financial statements.

4.3.30 To address the weaknesses, Defence engaged an external valuation expert to undertake its valuation of SME. The external expert has undertaken a valuation of Defence's SME as at 30 June 2022. The ANAO has reviewed the work performed by Defence's external valuation expert and is satisfied that the matters raised in the prior year have been addressed.

Unresolved moderate audit findings

Weaknesses around the governance of ADF health services

4.3.31 The provision of health services to ADF members is managed under a contract with an external service provider. The contract commenced on 1 July 2019 and includes two broad categories of charges covering off-base and on-base services. Defence undertakes a review of the fees and charges associated with off-base services to provide assurance that the invoiced amounts are accurate and valid.

4.3.32 As part of the 2020–21 audit, the ANAO identified weaknesses associated with the processes implemented by Defence to confirm the accuracy and validity of the service provider's monthly invoices. The ANAO recommended that Defence:

- examine and strengthen the design of processes to provide assurance over the accuracy and validity of the health service payments;
- extend assurance activities to include on-base services; and
- complete assurance activities in a timely manner and escalate issue to an appropriate level of management to ensure that issues can be dealt with promptly and recoveries initiated where required.

4.3.33 Defence has advised the ANAO that progress has been made to address the audit finding. The ANAO will continue to examine the remediation activities as part of the 2022–23 audit.

Management of privacy data

4.3.34 Management of personally identifiable data is a responsibility of all Australian Government entities subject to the *Privacy Act 1988*. Under the Privacy Act, various supplementary directions such as the Australian Government Agencies Privacy Code (the Code) and the Australian Privacy Principles (APP) define an entity's responsibility around the collection, use, storage and disclosure of personal information.

4.3.35 Defence has implemented a privacy policy which has been designed to inform individuals about the way Defence collects, stores, uses and discloses personal information. This policy also provides guidance to access, or seek correction of, personal information held by Defence.

4.3.36 In reviewing the privacy framework at Defence, the ANAO observed that:

- significant programs related to the management of personally identifiable information are outdated or scheduled for reviews that have not yet occurred;
- privacy impact assessments are not stored in an accessible format and are not searchable to discover known risks and impacts;
- there is no consistent data dictionary or data governance applied to allow for the discovery of specific data types across disparate applications and networks;
- information on historical data breaches is inconsistent across Defence, with no central repository or register to report against strategic risks; and
- compliance activities to ensure Defence is meeting the requirements are either not able to be performed or are not performed in a timely manner.

4.3.37 Defence was unable to provide evidence and assurance that personally identifiable information was being managed appropriately. The ANAO also identified that Defence has limited ability to discover systems that contain information that would be classified as personally identifiable information, as well as no systematic method for tracking changes, access or distribution of personally identifiable information.

4.3.38 The weaknesses observed increase the risk that privacy data may be accessed or modified by those without authorisation to do so, and discovery of this inappropriate activity may not be timely or accurate.

4.3.39 The ANAO has recommended that Defence:

- review its data governance framework and address control weaknesses surrounding the collection, use, storage and disclosure of personal information;
- establish a digital repository to index or record the locations, types of data, systems and other critical information relating to the management of personally identifiable information; and
- report regularly against compliance and application of the Privacy Policy as well as key indicators from the Code and APPs.

4.3.40 Defence advised that they will be instituting a number of remediation actions as part of the inaugural Defence Data Strategy 2021–23. The ANAO will review the implementation of the actions related to privacy data as part of the 2022–23 audit.

Use of appropriations

4.3.41 Section 83 of the Constitution states that ‘No money shall be drawn from the Treasury of the Commonwealth except under an appropriation made by law’. Section 54 states that ‘The proposed law which appropriates revenue or moneys for the ordinary annual services of the Government shall deal only with such appropriation’, and section 53 states that ‘The Senate may not amend proposed laws imposing taxation, or proposed laws appropriating revenue or moneys for the ordinary annual services of the Government.’

4.3.42 These constitutional provisions are given effect by Appropriation Bills presented to the Parliament, which distinguish between moneys appropriated for the ordinary annual services of the government and other appropriations. Appropriation Bill (No. 1) contains details of estimates for the ordinary annual services of the government. Appropriation Bill (No. 2) contains amounts that are not for the ordinary annual services of government. Appropriation Bill No. 2 contains the following amounts: new administered outcomes, non-operating, and payments to states, territories and local government.[111]

4.3.43 During the 2021–22 audit of Defence, the ANAO observed that the contract termination payment of $832 million made to Naval Group in relation to the cancelled Attack Class submarine project was paid out of appropriation funding (*Appropriation Act No. 2 2020–2021*) that had been provided by the Parliament as non-operating funding. The ANAO queried whether the use of this funding source, originally approved by Parliament for as 'non-operating'[112], could be used for the termination payment, which would be classified as operating expenditure.

4.3.44 The termination payment to Naval Group was approved by the Australian Government. Defence has advised the ANAO that it considered the funding approval from Government along with discussions with the Department of Finance (Finance) as sufficient authority for the use of the appropriation.

4.3.45 Subsequent to the payment being made to Naval Group, Defence sought advice on the legality of the funding source used to make the termination payment and specifically whether this had resulted in a breach of section 83 of the Constitution. Advice received from the Australian Government Solicitor (AGS) concluded that, 'we think that in this case a court would, on balance, find that no breach of s 83 has occurred'. The AGS advice was informed by a view that it is difficult to ascertain meaning for certain expressions and definitions included in the Appropriation Acts.

4.3.46 While the AGS advice concluded that a constitutional breach was unlikely, it stated "that regardless of the legal position, accounting principles and Department of Finance policy might dictate that the termination payment should have been funded from a different appropriation". Further the advice noted that the AGS 'would generally advise agencies not to use amounts appropriated as an 'other departmental item' for purposes that are not in the nature of capital expenditure.'

4.3.47 Section 21 of the *Public Governance, Performance and Accountability Act 2013* requires that the accountable authority of a non-corporate commonwealth entity must govern the entity in a way that is not inconsistent with the policies of the Australian Government. Finance has established a rules-based framework to prevent entities from spending money for purposes other than which it was appropriated. The framework, as outlined in the Resource Management Guides,[113] describes non-operating costs to include equity injections to be used for specific

111 *Appropriation Act 1 2020–21*, *Appropriation Act 2 2020-21*.

112 *Appropriation Act 2 2020-21*.

113 Department of Finance, Resource Management Guide RMG 100 *Guide to Appropriations*, available at: https://www.finance.gov.au/publications/resource-management-guides/guide-appropriations-rmg-100, Department of Finance, Resource Management Guide RMG 116 *Accounting for Annual Appropriations*, available at: https://www.finance.gov.au/government/managing-commonwealth-resources/accounting-annual-appropriations-rmg-116 [accessed 28 November 2022].

purposes, such as investments in assets and major purchases of new and replacement assets but does not include operating costs.

4.3.48 Following the audit of Defence, the ANAO raised the implications of the legal advice on the appropriation framework with Finance, as it has administrative responsibility for the Appropriation Acts. In response to these concerns Finance advised that it had:

> discussed this matter with the AGS. On the basis of discussions to date, …[Finance]… do not believe that there are strong grounds for concern that the advice has broader implications for the appropriations framework or the intended operation of annual Appropriation Acts. As you would appreciate, the development of Appropriation Acts is always undertaken in consultation with the Office of Parliamentary Counsel (OPC) and the AGS.

4.3.49 Finance also advised that:

> to manage any potential risk to the legislative framework for appropriations and to ensure this scenario remains an isolated, one-off occurrence, …[Finance]… will review our policy and guidance to ensure the integrity of the appropriation framework, including in relation to equity injections. Further, …[Finance]… will continue to engage with OPC and AGS on the development of future annual Appropriation Acts.

4.3.50 The ANAO is concerned that the full implications of the legal advice have not been considered by Finance.[114] In the case of the Defence spending, the appropriation, as passed by the Parliament, was intended to result non-operating expenditure. It is unclear whether the Parliament would have anticipated that the appropriation provided to Defence could have been used for a different purpose, a contract termination payment (operating expenditure). It is also unclear how this instance can be treated as a 'isolated, one-off occurrence' that can be dealt with through policy and guidance if the use of a non-operating appropriation for operating expenditure is not considered to be inconsistent with the descriptions included in the Appropriation Acts.

4.3.51 The risk for the Parliament from this precedent is that the controls and framework supporting the appropriation of and expenditure of funds it may have reasonably considered to be in place, for example that an appropriation for non-operating purposes could only be use for that purpose, may not in fact exist.

Australian Signals Directorate

4.3.52 The purpose of the Australian Signals Directorate (ASD) is to defend Australia from global threats and advance Australia's national interest through the provision of foreign signals intelligence, cybersecurity and offensive cyber operations, as directed by government. The Australian Cyber Security Centre, which is a part of ASD, provides support to government and the Australian community to improve Australia's cyber resilience.

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[114] Finance have advised the ANAO that they disagree with this statement. In December 2022 the ANAO was advised that '…[Finance]… disagree with this statement. Finance has considered the implication of the legal advice and had further discussion with the AGS. …[Finance's]… view remains that, this one-off Defence case do not provide strong grounds for concerns in relation to the intended operation of the appropriation framework.'

Summary of financial performance

4.3.53 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by ASD (as outlined in Table 4.3.6 and Table 4.3.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.3.6: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Revenue from government	927.3	805.7
Net (cost of)/contribution by services	(1,118.4)	(1,023.3)
Surplus/(deficit) attributable to the Australian Government	(191.1)	(217.6)
Total other comprehensive income/(loss)	18.9	(5.7)
Total comprehensive income/(loss) attributable to the Australian Government	(172.2)	(223.3)
Total assets	1,244.3	992.3
Total liabilities	821.9	636.5
Total equity	422.4	355.8

Source: ASD's audited financial statements for the year ended 30 June 2022.

4.3.54 Revenue from government has increased mainly due to the impact of additional funding from the Australian Government for delivery of programs and projects. The increase in funding contributed to the increase in net cost of services of $95.1 million. The increase in the net cost of services was primarily due to:

- growth in employee benefits expenses of $40.5 million;
- an additional $64.6 million in supplier expenses incurred due to the delivery additional programs and output; and
- an increase in depreciation expenses of $14.3 million reflecting the roll-out of assets under construction and newly recognised lease right-of-use assets during the period.

4.3.55 Total assets increased mainly as a result of recognition of an additional $243.6 million of non-financial assets, comprising:

- purchase and/or construction of additional plant, equipment, buildings and infrastructure. In 2021–22 ASD received $237.9 million from the Australian Government in equity contributions to fund the development of these assets; and
- recognition of lease right-of-use assets in accordance with AASB 16 *Leases.* During 2021–21 ASD entered into lease agreements for office space resulting in the recognition of lease right-of-use assets of $193.1 million which will be amortised over the term of the lease contract.

4.3.56 Total liabilities increased as a result of an increase in lease liabilities of $160.5 million (refer to paragraph 4.3.54) and an increase in supplier payables of $25.3 million resulting from the increase in supplier expenses (refer to paragraph 4.3.53).

Table 4.3.7: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total income	–	–
Total expenses	–	–
Surplus/(deficit)	–	–
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	–	–
Total assets	18.5	33.7
Total liabilities	18.5	33.7
Net assets/(liabilities)	–	–

Source: ASD's audited financial statements for the year ended 30 June 2022.

4.3.57 Movements in the balance of ASD's administered assets and liabilities reflect normal business activities.

Key areas of financial risk

4.3.58 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ASD's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.3.8.

Table 4.3.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental plant and equipment $320.1 million buildings and infrastructure $574.1 million Intangibles $72.8 million depreciation and amortisation expenses $179.1 million	Valuation, allocation and accuracy of non-financial assets, particularly assets under construction	**Moderate**	• judgement is applied by ASD in determining whether expenditure on assets, particularly those under construction, should be capitalised or expensed in accordance with the relevant accounting standards; and • fair value and impairment considerations for non-financial assets, particularly those complex assets under construction, is subject to an increased level of judgement by ASD.
All financial statements line items	Completeness and accuracy of transactions made through ASD's shared service	**Moderate**	• significance of the reliance on the internal controls and IT processes that have been established by the shared service provider

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
	provider (Department of Defence)		which influence financial management and reporting by ASD.

Source: ANAO 2021–22 audit results, and ASD's audited financial statements for the year ended 30 June 2022.

Audit results

4.3.59 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian War Memorial

4.3.60 The Australian War Memorial (AWM) has responsibility for commemorating, interpreting and understanding the Australian experience of war and its enduring impact through maintaining and developing the national memorial and its collection, and exhibiting historical material, and undertaking commemorative ceremonies and research.

Summary of financial performance

4.3.61 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by AWM (as outlined in Table 4.3.9) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.3.9: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(48.6)	(46.5)
Revenue from government	46.1	44.2
Surplus/(deficit) attributable to the Australian Government	(2.5)	(2.3)
Total other comprehensive income/(loss)	0.3	11.1
Total comprehensive income/(loss) attributable to the Australian Government	(2.2)	8.8
Total assets	1,698.9	1,559.2
Total liabilities	15.2	16.8
Total equity	1,683.7	1,542.4

Source: AWM's audited financial statements for the year ended 30 June 2022.

4.3.62 Total assets increased by $139.7 million, mainly due to an $83.0 million increase in investments held for the Development Project funding and a $56.7millin increase in work in progress relating to early works for the Development Project.

4.3.63 The AWM also reported future commitments at year-end of $33.4 million for the acquisition of buildings, heritage and cultural, plant and equipment, exhibitions and software. The majority of these commitments related to the Development Project, including $7.8 million for project management services, $4.9 million for plant and material for the mains works package (including Anzac Hall), and $5.6 million for civil excavation and earth works.

Key areas of financial risk

4.3.64 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of AWM's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.3.10.

Table 4.3.10: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Heritage and cultural assets $1,185.9 million	Valuation of the collection	**Higher**	• valuation is subject to judgement and assumptions, including assessments for impairment and the unique nature of the collection having no active market; and • judgement is involved in determining what costs should be capitalised.

Source: ANAO 2021–22 audit results, and AWM's audited financial statements for the year ended 30 June 2022.

Audit results

4.3.65 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Defence Housing Australia

4.3.66 The Defence Housing Australia (DHA) is responsible for providing housing and related services to members of the Australian Defence Force and their families, consistent with Defence's operational requirements. To meet these requirements, DHA is responsible for constructing, purchasing and leasing houses for Australian Defence Force personnel. Each year, DHA sells a portion of its properties through a sale and leaseback program, and those revenues are DHA's primary source of capital funding to acquire new properties.

Summary of financial performance

4.3.67 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by DHA (as outlined in Table 4.3.11) and includes commentary regarding significant movements between years.

Table 4.3.11: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total income	918.6	867.5
Total expenses	734.4	758.9
Profit before tax	184.1	108.6
Income tax expense	53.8	30.0
Net profit after income tax	130.3	78.6
Other comprehensive income	–	–
Total comprehensive income	130.3	78.6
Total assets	3,371.5	3,460.1
Total liabilities	1,816.1	1,956.9
Total equity	1,555.4	1,503.2

Source: DHA's audited financial statements for the year ended 30 June 2022.

4.3.68 The increase in total income is the result of a net reversal of write-downs and impairment of assets due market improvements resulting in a writeback of investment properties of $35 million and inventories of $10.6 million. In addition, there has been an increase in rental revenue due to the revaluation, this is partially offset by a reduction in rent from external tenants.

4.3.69 The decrease in total expenses related to a decrease in the cost of inventories sold which correlated to the decrease in sales. This is in line with DHA's business strategy to reduce development and increase direct leasing from the market. In addition, the loan was repaid as at April 2022 resulting in a lower interest expense in the current year. These decreases are offset by an increase in repairs and maintenance expenses due to the backlog of work being caught up after easing of restrictions due to the COVID-19 pandemic.

4.3.70 The decrease in total assets is due to the disposal of inventory stock. In addition to the repayment of loans, which also resulted in a corresponding decrease in total liabilities.

Key areas of financial risk

4.3.71 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DHA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.3.12.

Table 4.3.12: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Inventories $489.4 million	Valuation of inventories	**Higher**	• the high volume of properties and the complexity and detail of the model used to determine the correct valuation basis for

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
			inventory as either cost or net realisable value; • the uncertainty associated with the market data, including the impact of the COVID-19 pandemic, which is a key input into the valuation model used to calculate the net realisable value; • management judgement applied in determining key inputs into the valuation model used to determine net realisable value; • the accuracy and completeness of the inventory data held in the systems supporting the financial statements due to the volume of properties; and • depth of detailed judgement in applying the complex technical requirements of the financial framework for presentation and disclosure.
Investment properties $2,546.9 million	Impairment of investment properties	**Higher**	• complex valuation method, multiple data sources and assumptions subject to management judgement, including determining impairment; • judgement to determine the correct classification of investment properties as either held for sale or non-current assets; • the impact of the COVID-19 pandemic on the market which impacts the valuation; and • complex calculations and judgements are involved to determine the right-of-use asset value and the corresponding lease liability balance.
Revenue $861.0 million	Revenue recognition	**Higher**	• the nature and number of the revenue streams and complexity of transactions and systems used to capture and record the financial information; • the number of revenue streams and volume and complexity of transactions increases the risk around the appropriateness of the recognition of revenue; and • the splitting of income between revenue under AASB 16 *Revenue from Contracts with Customers* and leasing income under AASB 16 *Leases* involves judgements and assumptions.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Leases Right-of-use $1,452.3 million Lease Liabilities $1,522.8 million Depreciation $280.6	Accounting for Leases	**Moderate**	• the complexity of the system specification to calculate the leasing data for reporting purposes, • the completeness and accurate transfer/communication of leasing data between the existing systems and this lease accounting system, and • the judgements and estimates applied to the calculation.

Source: ANAO 2021–22 audit results, and DHA's audited financial statements for the year ended 30 June 2022.

Audit results

4.3.72 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Department of Veterans' Affairs

4.3.73 The Department of Veterans' Affairs (DVA) is the primary service delivery entity with responsibility for implementing programs to assist the veteran and ex-service communities, including repatriation, rehabilitation and compensation, and war graves.

4.3.74 DVA is responsible for developing and implementing programs to assist the veteran and ex-service communities. This includes: granting pensions, allowances and other benefits, and providing treatment under the *Veterans' Entitlements Act 1986*; determining and managing claims relating to defence service under the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988*; the administration of benefits and arrangements under the *Military Rehabilitation and Compensation Act 2004*; administering the *Defence Service Homes Act 1918* and the *War Graves Act 1980*; and conducting commemorative programs to acknowledge the service and sacrifice of Australian servicemen and women.

Summary of financial performance

4.3.75 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DVA (as outlined in Table 4.3.13 and Table 4.3.14) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.3.13: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(455.2)	(393.7)
Revenue from government	404.7	384.3
Surplus/(deficit) attributable to the Australian Government	(50.5)	(9.4)
Total other comprehensive income	0	1.1
Total comprehensive income/(loss) attributable to the Australian Government	(50.5)	(8.3)
Total assets	350.6	357.0
Total liabilities	312.2	287.0
Total equity	38.4	70.0

Source: DVA's audited financial statements for the year ended 30 June 2022.

4.3.76 The net cost of services increased by $61.5 million mainly due to a $45.3 million increase in employee benefits as a result of staff numbers increasing from 1,613 to 2,066 in 2021–22 and a $20.9 million increase in suppliers expenses including a $9.0 million increase in the cost of contractors for work in claims processing, $4.7 million relating to the digitisation of records, and $3.6 million for projects associated with information technology services. The increased expenditure was partially offset by a $20.4 million increase in revenue from government.

4.3.77 Total liabilities increased by $25.2 million mainly due to a $26.1 million increase in outstanding claims relating to the Defence Service Homes Insurance Scheme.

Table 4.3.14: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	21,247.2	22,562.8
Total income	15,104.0	16.4
Surplus/(deficit)	(6,143.2)	(22,546.4)
Total other comprehensive income	(2.1)	10.3
Total comprehensive income/(loss)	(6,145.3)	(22,536.1)
Total assets administered on behalf of Government	1,956.8	1,726.3
Total liabilities administered on behalf of Government	42,412.5	46,380.4
Net assets/(liabilities)	(40,455.7)	(44,654.1)

Source: DVA's audited financial statements for the year ended 30 June 2022.

4.3.78 Total administered expenses decreased by $1.3 billion due to a $426.0 million decrease in personal benefits and health care payments for veterans, $3.1 billion decrease in the provision for personal benefits, offset by a $2.2 billion increase in the provision for health care payments. The movements in these provisions were the result of the actuarial assessment of the department's estimated future obligations in respect of the military compensation provisions (personal benefits and health care) at 30 June 2022.

4.3.79 Total administered income increased by $15.1 billion reflecting gains in the movement of the personal benefits and health care provisions, after taking into account the impact of rising interest rates in the calculation of discounted cashflows as part of the valuation of the military compensation provisions at year-end.

4.3.80 Total administered liabilities decreased by $4.0 billion as a result of a $2.6 billion decrease in the personal benefits provision and a $1.3 billion decrease in the health care provision at year-end following the actuarial assessment. The overall decrease was calculated after DVA applied a $3.6 billion risk adjustment, in 2021–22 to address the risk that the military compensation provisions could be insufficient, in view of significant increases in the provisions in recent years.

Key areas of financial statements risk

4.3.81 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DVA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.3.15.

Table 4.3.15: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered personal benefit and healthcare provisions $42.1 billion	Valuation of military compensation provision KAM	**Higher**	• judgements involved in determining the assumptions and calculations underpinning the actuarial assessment of the military compensation provision, including assumptions relating to future trends in medical costs, permanent incapacity, and inflation rates; • increasing value of the provision as an unfunded liability; and • completeness of data used to derive the valuation.
Administered personal benefits expense $6.2 billion health care expenses $3.8 billion	Accuracy of personal benefits and health care payments	**Higher**	• complexity of overseeing and maintaining a large number of IT business systems which are supported by the shared services provider, Services Australia; • complexity of legislation applicable to individual claims; • reliance on accurate and complete veteran-provided information; and • reliance on a risk-based quality assurance program to identify errors and initiate debt recovery arrangements in individual claims.

Source: ANAO 2021–22 audit results, and DVA's audited financial statements for the year ended 30 June 2022.

Audit results

4.3.82 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.3.16: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Significant (A)	–	1	–	1
Moderate (B)	6	2	1	7
Total	**6**	**3**	**1**	**8**

Source: ANAO 2021–22 audit results

4.3.83 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that DVA's 2021–22 financial statements were not materially misstated.

New significant audit finding

Military Compensation Scheme Provision Methodology

4.3.84 The Military Compensation Scheme (MCS) provision is assessed at the end of each financial year and recognises DVA's liability in relation to the *Military Rehabilitation and Compensation Act 2004* (MRCA) and the *Safety, Rehabilitation and Compensation (Defence-related Claims) Act 1988* (SRCA). The calculation of the provision is complex and involves a number of key assumptions and judgements, including assumptions relating to future trends in medical costs, permanent incapacity, and inflation rates.

4.3.85 The ANAO noted that over the previous six years there has been a history of significant increases in the opening balance of the provision, though at a slower rate in 2021–22 compared to previous years. The ANAO formed the view that there is a significant risk that DVA's initial valuation of the provision for 2021–22 may again be understated.

4.3.86 In response to the ANAO's position on the value of the provision, DVA applied an additional risk adjustment of $3.6 billion to the value of the provision for the year ended 30 June 2022.

4.3.87 The ANAO's review of the actuarial process in 2020–21 also resulted in several observations and opportunities for improvement. Additional observations have been raised in the 2021–22 highlighting opportunities to improve the methodology that underpins the MCS provision.

4.3.88 The ANAO recommended that DVA develops a centrally managed policy and procedures that details DVA's role and responsibilities in respect of the valuation, including: details of data used each year and formal approvals by an appropriate level of management for changes in data used; documented risk assessments for key components of the estimation process including those relating to data, method and accounting components; selection of assumptions used each year including a robust analysis of the impact of changes in assumptions; and detailed accounting methodology and accounting treatments for various outcomes that may result in any year as a result of underlying changes in inputs. This overall process should have an appropriate level of executive approval.

4.3.89 In respect of the application of an additional risk adjustment prepared by management, the ANAO recommended that DVA develop a plan to consider: when a risk adjustment would be appropriate and how it would be calculated; an appropriate probability of sufficiency underlying the calculation of any risk adjustments; and the level of granularity of the payment categories assessed as part of the risk adjustment, and consistency with the actuary’s modelling.

New moderate audit findings

Security Governance – Monitoring Implementation of Controls

4.3.90 During the 2021–22 audit, ANAO noted deficiencies in the governance and monitoring controls implemented by DVA to provide assurance that processes are managed to address business risks and promptly detect when the controls are not operating as designed.

4.3.91 The exceptions noted by the ANAO included:

- terminated users who accessed DVA systems post-termination where the systems accessed is unknown, including a terminated user who was given permission to continue to access DVA's systems rather than change the agreed termination date. This outcome was not shared with DVA’s Chief Information and Security Officer.
- an update to DVA’s personal benefits Consolidated Controls Framework, including an additional risk scenario, was scheduled for April 2022 but has not yet been finalised or provided to the ANAO. The ANAO’s testing also indicated that there is confusion as to which reports, including monthly or quarterly approval of all individuals with incompatible access, are critical for managing DVA's business, and what evidence is to be retained;
- the starting point for user revalidations was found to be incomplete due to a misunderstanding as to how users gained access;
- a risk assessment performed by DVA in relation to password complexity referenced controls which are subject to open ANAO findings, being user access and revalidation controls; and
- draft closure packs, without senior management endorsement, were provided to the ANAO in 2021–22 in response to a number of moderate risk findings raised in the 2020–21 audit. The ANAO’s testing indicated that processes were not operating effectively to allow closure of these findings, which may have been identified when senior management validated the controls before endorsing these closure packs.

4.3.92 ANAO recommended that the department implement a governance and assurance framework to ensure that identified controls are being undertaken by the appropriate group at the appropriate time and in an appropriate manner; maintain the currency of documentation which links the controls in place to address DVA's business risks, and address the individual deficiencies noted by the ANAO across a number of audit findings.

Personal Benefits – Incompatible Access Monitoring

4.3.93 DVA has identified a business risk that users are required to have access that would allow them to bypass segregation of duties application controls resulting from the Single Point of Contact service delivery model applied. There is a monthly user access revalidation performed by directors and a quarterly user access revalidation that is endorsed by the branch heads.

4.3.94 ANAO tested both the monthly and the quarterly revalidations of users with potentially incompatible access in the 2021–22. The controls were assessed as unreliable due to the number of errors identified through the ANAO’s testing.

4.3.95 ANAO recommended DVA initially formalise the requirements, including evidence retention obligations, in line with the revision of the Consolidated Control Framework, and share these requirements with those individuals responsible. DVA can then design and implement processes to enable management to gain assurance that these critical reports have been promptly and completely actioned, including by Services Australia when access modification is required. The status of this finding will be reviewed as part of the 2022–23 financial statements audit.

Resolved moderate audit finding

Financial Delegations in DOLARS

4.3.96 Financial delegations are a key part of DVA's internal control framework and ensure appropriately skilled personnel perform key functions. As part of the 2020–21 financial statements audit, the ANAO identified that changes to delegations approved by the Secretary in February 2021 had not been implemented in DVA's financial management information system (DOLARS) until July 2021. DVA advised the ANAO that it had developed a process to ensure future changes to delegation limits were updated in a timely manner.

4.3.97 During the 2021–22 audit, the ANAO validated that the financial delegations configured within DOLARS and the Purchasing Portal for departmental and administered funds are materially consistent with the Instrument of Delegation approved by the Secretary. All items tested were approve by an appropriate delegate. As a result, this finding was closed.

Unresolved moderate audit findings

Implementation of the Process Direct system

4.3.98 In November 2020, income and student support payment processing functions were transferred to the Process Direct system. The move to Process Direct was a component of the Veteran Centric Reform program.

4.3.99 During the final audit phase of the 2020–21 financial statements audit, weaknesses were identified in establishing appropriate security and data migration processes including key system roll-out documentation and performance of relevant testing for data migration. DVA confirmed that it would review cybersecurity governance, including the development and strengthening of appropriate security policies and clear guidance regarding the commissioning of new systems. DVA expected this work to be finalised by the end of June 2022.

4.3.100 A high-level action plan was provided to ANAO on 22 February 2022. While the details underpinning the plan appear to address the risks identified in the finding it was not supported by detailed procedures and processes. The ANAO will not be able to conclude on the proposed design of the remediation until the detailed procedures are finalised and implemented by DVA. As a result, this finding will remain open and will be considered as part of the 2022–23 audit.

Monitoring of high-risk activity in IT systems

4.3.101 DVA reviews all activities in IT systems that are classified as high risk or a potential indicator of fraud. A software tool identifies this activity for review. During the 2020–21 financial statement audit, the ANAO identified that after a major IT change was implemented, the tool in place to monitor high-risk activity in IT systems was no longer able to correctly identify high risk activity for review. DVA subsequently made changes to ensure that the software tool could correctly identify high risk activity and retrospectively reviewed all activity that had occurred from November 2020 to July 2021. DVA also confirmed that it would ensure appropriate security and fraud considerations are strengthened for all future system development.

4.3.102 A high-level action plan was provided to ANAO in February 2022. The details underpinning the plan appears to be reasonable, the ANAO will not be able to conclude on the proposed design of the remediation until the detailed procedures are finalised and implemented. As a result, this finding will remain open and will be considered as part of the 2022–23 audit.

User Terminations

4.3.103 During the 2020–21 audit, the ANAO identified weaknesses in DVA's controls relating to terminated users where a small number of terminated users had accessed DVA systems post-termination where investigation was not undertaken outside of client payment systems. There were no processes in place to identify users who had access to systems, applications and/or data repositories after cessation of employment or contract. Consequently, there was also no process to monitor activities undertaken by any users after access should have been removed.

4.3.104 During the final audit phase of the 2020–21 financial statements audit, DVA noted that it had introduced technology that enabled DVA staff to action terminations more effectively. The technology included automated notifications to Services Australia of upcoming cessations. DVA had also developed a process to identify, assess and investigate (where appropriate), any instances where system access post termination results in risk to DVA.

4.3.105 During testing, ANAO identified a number of systemic control failures relating to: unauthorised approval of system access post-termination; lack of investigation of activities performed post-termination, including any potential inappropriate sharing, downloading, or manipulation of confidential DVA information; and email accounts not checked for the forwarding of confidential or personally identifiable information outside of DVA. As a result, this finding will remain open and will be considered as part of the 2022–23 audit.

User Revalidations

4.3.106 A key aspect of system user management that protects systems and applications from exploitation is a regular user revalidation process that confirms only legitimate users have access to DVA systems and applications. During the 2020–21 financial statements audit the ANAO identified that DVA did not have a process in place to revalidate user access for seven systems that support the financial statements.

4.3.107 During the final audit phase of the 2020–21 financial statements audit, DVA confirmed it would review cybersecurity governance and security policies with a view to updating policies to provide clear guidance regarding user revalidation, specific roles and responsibilities. Management also noted that this would be supported by implementing protocols to ensure managers of staff with access to these systems are revalidating their need for access, based on a risk assessment, on a planned regular basis. The results will be reported to the business system owner.

4.3.108 DVA provided an updated response to this finding to the ANAO in July 2022, which confirmed that the revalidation process for two systems was not complete. Additionally, the ANAO identified further deficiencies in the revalidation process as a result of testing performed. As a result, this finding will remain open and will be considered as part of the 2022–23 audit.

QUASARS Claim File Population Reports

4.3.109 QUASARS is a system used by DVA to select and perform quality assurance testing of decisions and payments made in relation to Income Support and Rehabilitation and Compensation. The results of quality assurance testing are used as a basis for DVA to quantify the potential error rate in personal benefit and health care payments.

4.3.110 The ANAO identified that DVA did not have any documented processes or procedures in place to confirm completeness, accuracy and relevance of information extracted from business systems and uploaded into QUASARS.

4.3.111 During the finalisation of the 2020–21 financial statements audit, DVA identified that it would review and document existing processes and develop a stronger protocol to ensure data uploaded is complete and accurate. DVA also noted that it would explore ways to automate the manual process moving forward.

4.3.112 During June 2022 DVA implemented several processes to address this finding. As these processes were not in place for the full financial year, the ANAO requested DVA perform additional procedures to provide assurance to both DVA and the ANAO that the absence of these controls for the full period did not materially impact the assessment of correctness and accuracy of claims for 2021–22 financial year. The ANAO performed audit procedures on these processes and was able to obtain sufficient and appropriate evidence to support the financial statements audit.

4.3.113 The ANAO will test DVA's new processes to confirm that they have been embedded into standard operating procedures as part of the 2022–23 audit.

Emphasis of Matter paragraph

4.3.114 An Emphasis of Matter paragraph has been included in the 2021–22 auditor's report to draw users' attention to the accounting policies disclosed in the financial statements that describe the inherent uncertainty associated with a number of the assumptions used in the calculation of the Military Compensation Scheme provisions and to the sensitivity of the valuation of the provision to changes in these assumptions. This is considered to be a key audit matter (refer to Table 4.3.15) due to the complexity and use of judgement associated with the unique compensation arrangements arising under legislation.

Comments on unsigned non-material entities

4.3.115 As at 2 December 2022, the following financial statement audits for the year ended 30 June 2022 were still in progress:

- Royal Australian Navy Central Canteens Board (RANCCB);
- Royal Australian Air Force Welfare Trust Fund; and
- Army and Air Force Canteen Service (AAFCANS).

4.3.116 A number of emerging issues have been identified across these entities and have resulted in delays in the finalisation of the audit. The Auditor-General's 2022–23 *Interim Report on Key Financial Controls of Major Entities* expected to be tabled in June 2023 will include a summary of the results for these audits.

4.3.117 These entities provide a range of services to Defence service personnel including concessional loans and grants, discounted accommodation to retired veterans, holiday and recreational facilities to current and former Defence personnel, and the provision of canteen services on Defence bases. The entities are corporate Commonwealth entities, separate from the Department of Defence, which operate under a range of structures including as Body Corporates, Trusts and Companies. Their Accountable Authority is the Board appointed by the Chief of the Defence Force and/or the Chiefs of Army, Air Force and Navy. Most of the Board members are serving Defence personnel.

Comments on other non-material entities

Royal Australian Air Force Veterans' Residences Trust

4.3.118 The RAAF Veterans' Residences Trust was established to provide residences to former members of the Air Force and their families who are in need. The Trust has acquired 76 residences throughout Australia and is self-funded.

Audit results

4.3.119 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.3.7: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

New moderate audit finding

Independence of audit committee members

4.3.120 The ANAO identified the Trust has one Audit Committee member who is a Trustee. Under Commonwealth legislation, Trustees have both management and governance responsibilities. Due to the size of the Trust, decision-making functions usually undertaken by employees of the entity are performed by the Board of Trustees.

4.3.121 Further, the Trust has no internal audit function. An internal audit function contributes to corporate governance by providing an entity's Accountable Authority and audit committee with independent reviews of, and suggestions for, improving the design and operation of the entity's financial and non-financial control environment.

4.3.122 The lack of independence between management, the audit committee and the Board of Trustees presents a governance risk as the Board are performing all functions that would usually be split between these roles.

4.3.123 A governance risk may result in inadequate and poorly designed systems of internal control, risks around the financial and performance reporting undertaken by the entity, and non-compliance with relevant laws and regulations. The likelihood of this risk occurring is further increased by the absence of any independent oversight through an internal audit function.

4.3.124 The Trust acknowledged the finding and advised that governance risk, formally identified in its risk register, is subject to ongoing review. The Board is examining further controls that can be put in place to mitigate this risk.

Royal Australian Air Force Welfare Recreational Company

4.3.125 The Royal Australian Air Force Welfare Recreational Company (the Company) was established in 1972 to manage and promote recreational facilities for RAAF members, their families and other eligible persons and to provide financial support to and assist in the provision of recreational amenities and services to RAAF members. As Trustee, the Company achieves its purpose through management of the RAAF Central Welfare Trust Fund. The Company is subject to the *Corporations Act 2001*.

Audit results

4.3.126 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.3.8: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Significant legislative breach (L1)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

New significant legislative breach

Alterations made to the signed financial statements after the auditor's report was issued

4.3.127 During the 2021–22 audit, the ANAO identified that the Company had made changes to its audited 2020–21 financial statements, and had published an altered version of the financial statements, which were re-signed on the 6 October 2021, with the auditor's report that was issued on the 29 September 2021. The ANAO identified that the following significant changes were made to the financial statements:

- a change to the directors' declaration – originally signed on 28 September 2021 but changed to 6 October 2021;
- a change to the signatories who signed the directors' declaration;
- the removal of the declaration that the financial statements complied with the *Australian Charities and Not-for-profits Commission Act 2012*;
- the insertion of a new director who commenced in July 2021 (after the end of the reporting period) into the Key Management Personnel note disclosure; and
- the inclusion of an additional note disclosing gender and staff location of personnel, that was not subject to audit.

4.3.128 The changes to the financial statements are a breach of section 97 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and section 301 of the *Corporations Act 2001*.

4.3.129 In addition, the directors did not pass a valid resolution to issue the financial statements, and did not lodge its annual report with the Australian Securities and Investments Commission also resulting in breaches of the *Corporations Act 2001*.

4.3.130 The ANAO has requested the Company take corrective action to remove the altered version of the 2020–21 financial statements from public access, to advise the Australian Charities and Not-for-profits Commission and the Australian Securities and Investment Commission (ASIC) of the error, and to table a correction in Parliament.

4.3.131 The 2020–21 financial statements published with the auditor's report dated 29 September 2021 should not be relied upon due to the significance of the changes made to the financial statements, and because the financial statements were not properly authorised for issue under the Company's constitution.

Emphasis of Matter paragraph

4.3.132 The Company re-signed its 2020–21 financial statements to the ANAO for audit on 30 November 2022. The ANAO issued its auditor's report in relation to the 2020–21 financial statements on 30 November 2022. The auditor's report included an Emphasis of Matter paragraph referring to the disclosures in the re-presented financial statements drawing attention to the errors in the altered financial statements that were originally signed on 6 October 2021. The Emphasis of Matter paragraph stated that the auditor's report dated 29 September 2021 should not be relied upon.

Other Matter paragraph

4.3.133 The 2021–22 auditor's report included an Other Matter paragraph drawing attention to the altered 2020–21 financial statements, and noted that the 2020–21 financial statements had not been authorised for issue by the Accountable Authority as the resolution passed by the directors was not valid in accordance with the Company's constitution. The Other Matter paragraph stated that the auditor's report dated 29 September 2021 should not be relied upon.

Royal Australian Navy Relief Trust Fund

4.3.134 The Royal Australian Navy Relief Trust Fund (the Fund) was established to provide welfare assistance to current and ex-serving members of the Navy and their families. Assistance is provided through the provision of interest free loans to current and ex-navy personnel to assist with small expenditure items. Interest free loans of up to $7,000 may be approved where eligibility criteria has been met. In accordance with the *Services Trust Funds Act 1947*, a person who is a Trustee or a dependant of a Trustee of any fund shall not receive benefits from the Fund.

Audit results

4.3.135 Table 4.3.17 below summarises the status of the audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.3.17: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Significant legislative breach (L1)	1	–	1	–

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Total	**1**	**–**	**1**	**–**

Source: ANAO 2021–22 audit results.

Resolved significant legislative breach

Related party transaction

4.3.136 In accordance with the *Services Trust Funds Act 1947*, a person who is a Trustee or a dependant of a Trustee of any fund shall not receive benefits from the Fund. During 2020–21, the ANAO identified that a loan including an administration fee had been made to a related party in contravention of section 14 of the *Services Trust Funds Act 1947*. The ANAO recommended that the Fund strengthens its policies and procedures to prevent any payments being made in contravention of legislative obligations.

4.3.137 During 2021–22, the Fund recovered the outstanding loan balance. The Fund has confirmed that no other loans have been made to personnel with a potential benefit to a Trustee, In addition, the Fund has strengthened its processes to prevent loans being made to a Trustee or their dependant. This matter has been resolved.

4.4 Education, Skills and Employment portfolio

Portfolio overview

4.4.1 The Education, Skills and Employment portfolio's purpose is to contribute to Australia's economic prosperity and social wellbeing by creating opportunities and driving better outcomes for people through education, skills and employment pathways. Table 4.4.1 identifies material and other entities specifically mentioned in this chapter.

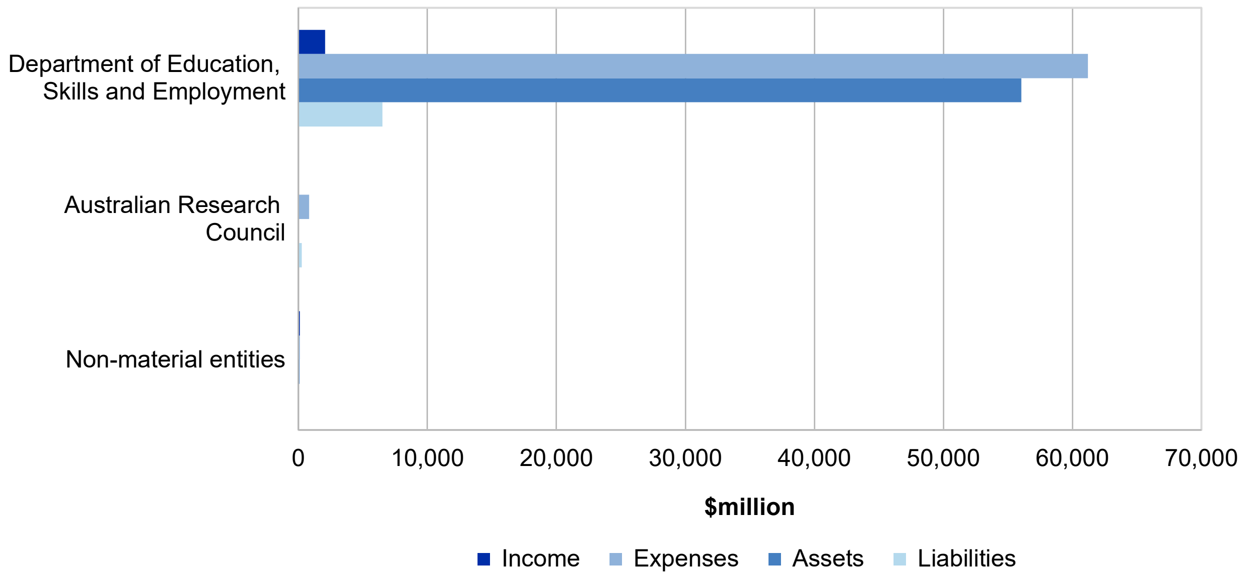
Table 4.4.1: Education, Skills and Employment portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Education, Skills and Employment	**Yes**	Moderate	✓	2 Sept 22	2 Sept 22	◆
Australian Research Council	**Yes**	Low	✓	28 Sept 22	29 Sept 22	Nil

✓: auditor's report not modified ◆: new significant or moderate issues and/or legislative matters noted

4.4.2 Figure 4.4.1 shows the Education, Skills and Employment portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.4.1: Education, Skills and Employment portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.4.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.4.2 provides a summary of those audit differences that relate to entities within the Education, Skills and Employment portfolio.

Table 4.4.2: The number of audit differences reported to entities in the Education, Skills and Employment portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Education, Skills and Employment	1	–	1	–	–	–
Australian Curriculum, Assessment and Reporting Authority	–	1	1	–	1	1
Australian Research Council	-	1	1	-	–	–
Australian Skills Quality Authority	1	1	2	–	–	–
Australian National University	–	–	–	2	–	2
– ANU Enterprise Pty Limited	1	–	1	1	7	8
– Australian Scientific Instruments Pty Ltd	–	–	–	1	–	1
– Social Research Centre	–	1	1	1	2	3
Tertiary Education Quality Standards Agency	–	2	2	–	1	1
Australian Institute for Teaching and School Leadership Limited	–	3	3	1	1	2

Source: ANAO analysis of audit differences reported to entities in the Education, Skills and Employment portfolio.

4.4.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Education, Skills and Employment, and findings for other material entities and non-material entities in the portfolio.

Department of Education, Skills and Employment

4.4.5 The Department of Education, Skills and Employment (DESE) works with state and territory governments, other government entities and a range of stakeholders to ensure Australians can experience the social wellbeing and economic benefits that quality education, skills and employment provide.

4.4.6 The department continues to support the formulation and delivery of targeted education, skills and employment initiatives through the next phase of the Government’s economic recovery plan through supporting Australians into jobs by investing in skills and higher education and helping job seekers to reconnect with employment. The department also supports the provision of essential services on which Australians rely, including early childhood education and care, schooling, skills and training, higher education, and employment services.

Summary of financial performance

4.4.7 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DESE (as outlined in

Table 4.4.3 and Table 4.4.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.4.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(987.6)	(815.5)
Revenue from government	905.3	858.1
Surplus/(deficit) attributable to the Australian Government	(82.3)	42.6
Total other comprehensive income/(loss)	0.0	(0.5)
Total comprehensive income/(loss) attributable to the Australian Government	(82.3)	42.1
Total assets	1,188.2	1,149.8
Total liabilities	554.6	600.1
Total equity	633.6	549.7

Source: DESE's audited financial statements for the year ended 30 June 2022.

4.4.8 The $172.1 million increase in the net cost of services was the result of increased consultants and contractor costs relating to the delivery of projects that were put on hold or delayed during the prior year COVID-19 pandemic.

4.4.9 Revenue from government increased by $47.2 million due to continuing funding for the JobMaker packages for higher education, skills, apprenticeships and employment services, in addition to an increase for higher staffing levels and associated costs due to new measures.

4.4.10 The increase in total assets is a result of increased investment in IT systems, including the new employment services model and the apprenticeships data management system. The decrease in total liabilities is due to the reduction in leases in line with the remaining lease terms.

Table 4.4.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	59,357.0	48,687.0
Total income	2,028.1	1,473.9
Surplus/ (deficit)	(57,328.9)	(47,213.1)
Total other comprehensive income/(loss)	19.9	104.8
Total comprehensive income/(loss)	(57,309.0)	(47,108.3)
Total assets administered on behalf of Government	54,859.2	58,268.2
Total liabilities administered on behalf of Government	5,962.3	7,256.1
Net assets	48,896.9	51,012.1

Source: DESE's audited financial statements for the year ended 30 June 2022.

4.4.11 Actuarial assumptions used in determining the balances for the higher education superannuation provision (HESP), higher education loans program (HELP) and trade support loans

(TSL) were they key drivers of the administered financial statements items, largely as a result of higher yields on Commonwealth bonds.

4.4.12 In addition, there was an increase in expenses for grants, personal benefits and subsidies of approximately $4.5 billion, due to the increased take up of COVID-19 response packages.

Key areas of financial risk

4.4.13 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DESE's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.4.5.

Table 4.4.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Higher Education Loan Program (HELP) receivable (a component of trade and other receivables $51.8 billion) HELP loans fair value losses ($5.3billion	The valuation of the outstanding HELP loan receivable KAM	**Higher**	• the balances of outstanding loans and impairment are derived from complex actuarial estimates and the estimate contains a degree of estimation uncertainty; • the complexity involved in estimating future income of individuals that need to repay HELP debts, the timing of expected repayments and the amount of the loan not expected to be covered; and • payment data is reliant on sources external to DESE such as: the Australian Taxation Office; Universities; and other third parties.
Administered Higher Education Superannuation Program (HESP) (a component provisions $5.2 billion)	The valuation of the HESP provision KAM	**Moderate**	• the valuation of the HESP liability is subject to an actuarial estimation process and is highly sensitive to movements in discount factors and bond rates; and • the valuation is complex and depends on the accurate provision of source data by universities.
Administered personal benefit expenses $9.9 billion liabilities personal benefits payable $30.5 million	Accuracy and valuation of 'assistance to families with children' payments KAM	**Higher**	• complex legislation and administration arrangements that apply to childcare personal benefits; • accounting and disclosure of year-end balances which are contingent on the lodgement of recipients' income tax returns; • payments are reliant on self-assessed information provided by childcare service providers and claimants; and

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
personal benefits provision $526.2 million			• the IT environment is highly dependent on external information systems which are administered by the Department of Social Services and Services Australia.
Administered and departmental All financial statements items	Completeness and accuracy of financial statements balances impacted by the complexity and range of IT systems used to maintain information and process payments	**Moderate**	• large and complex IT environment with business applications processing a high volume of transactions; • many IT systems are bespoke or heavily customised by DESE; and • reliance on customised reports to prepare financial statements balances.

Source: ANAO 2021–22 audit results, and DESE's audited financial statements for the year ended 30 June 2022.

Audit results

4.4.14 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.4.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	–	**1**	–	**1**

Source: ANAO 2021–22 audit results.

4.4.15 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that DESE's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Timely removal of user access on termination

4.4.16 The ANAO identified instances where users had accessed the Department's systems after completion of their employment/contract. The ANAO noted that there were delays in completion of Exit Advice Notification which triggers a number of actions across the Department, including the termination access to ICT networks and systems.

4.4.17 The Department has implemented a standard operating procedure which reviews the separation process. In addition, the Department has also commenced work on automating the separation process. The effectiveness of these processes will be assessed by the ANAO as part of 2022–23 financial statements audit.

Australian Research Council

4.4.18 The Australian Research Council's (ARC's) purpose is to grow knowledge and innovation for the benefit of the Australian community through funding the highest quality research, assessing the quality, engagement and impact of research, and providing advice on research matters.

Summary of financial performance

4.4.19 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by ARC (as outlined in Table 4.4.7 and Table 4.4.8) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.4.7: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(27.6)	(24.5)
Revenue from government	20.2	21.3
Surplus/(deficit) attributable to the Australian Government	(7.4)	(3.2)
Total other comprehensive income	–	–
Total comprehensive income/(loss) attributable to the Australian Government	(7.4)	(3.1)
Total assets	29.9	37.6
Total liabilities	14.6	16.1
Total equity	15.3	21.5

Source: ARC's audited financial statements for the year ended 30 June 2022.

4.4.20 The net cost of services increased by $3.1 million due to increased expenditure on contractors and consultants which included the review of the National Competitive Grants Program. In addition, amortisation expense increased primarily due to the roll-out of the grants management program enhancements.

Table 4.4.8: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	802.1	774.7
Total income	14.8	9.4
Surplus/ (deficit)	(787.3)	(765.3)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	(787.3)	(765.3)
Total assets administered on behalf of Government	2.5	2.8
Total liabilities administered on behalf of Government	243.4	247.8
Net assets	(240.9)	245.0

Source: ARC's audited financial statements for the year ended 30 June 2022.

4.4.21 The $27.4 million increase in total expenses is largely due to increased research activities during the year. The million $5.4 million increase in total income is related to the return of unspent grant funding from recipients.

Key areas of financial risk

4.4.22 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ARC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.4.9. No significant or moderate audit findings were identified relating to the key areas of risk.

Table 4.4.9: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental computer software $6.9 million	Valuation of intangible assets	**Moderate**	• the determination of useful lives and assessment for impairment of intangible assets require consideration of various factors and application of judgement.
Administered grants expense $799.4 million	Completeness and accuracy of grants payments	**Moderate**	• the significance of the grants expense balance and the high volume of grant payments and variations throughout the year; • complex systems, processes and regulations exist for approval, payment and acquittal of grants; and • the difference between the financial statements reporting period and the grants program reporting period, being on a calendar year basis, resulting in a significant grant liability as at 30 June 2022.

Source: ANAO 2021–22 audit results, and ARC's audited financial statements for the year ended 30 June 2022.

Audit results

4.4.23 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.5 Finance portfolio

Portfolio overview

4.5.1 The Finance portfolio is responsible for a range of finance-related functions, including providing the Australian Government with budget policy advice, superannuation arrangements for government employees, and asset sales. Table 4.5.1 identifies material and other entities specifically mentioned in this chapter.

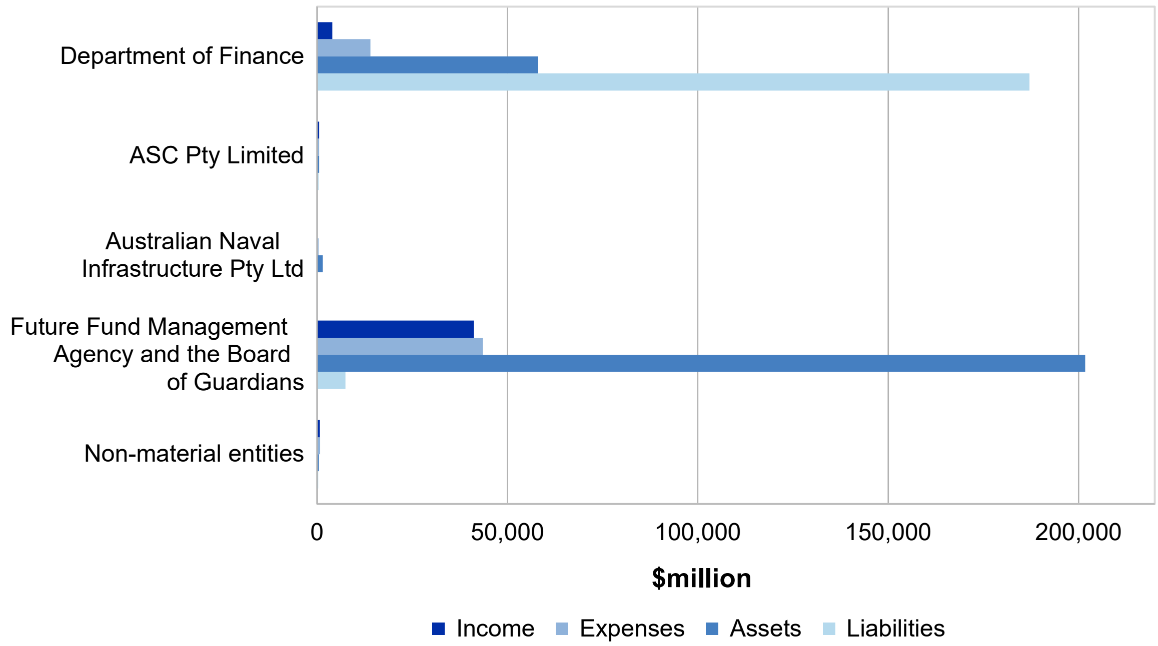
Table 4.5.1: Finance portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Finance	**Yes**	Moderate	✓	15 Sept 22	15 Sept 22	Nil
ASC Pty Ltd	**Yes**	Moderate	✓	29 Aug 22	29 Aug 22	Nil
Australian Naval Infrastructure Pty Ltd	**Yes**	Moderate	✓	14 Sept 22	14 Sept 22	Nil
Future Fund Management Agency and the Board of Guardians	**Yes**	Moderate	✓	28 Sept 22	29 Sept 22	Nil

✓: auditor's report not modified

4.5.2 Figure 4.5.1 shows the Finance portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.5.1: Finance portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.5.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.5.2 provides a summary of those audit differences that relate to entities within the Finance portfolio.

Table 4.5.2: The number of audit differences reported to entities in the Finance portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Finance	–	1	1	–	–	–
ASC Pty Ltd	–	1	1	–	3	3
– ASC AWD Shipbuilder Pty Ltd	–	1	1	–	–	–
Australian Naval Infrastructure Pty Ltd	–	1	1	–	–	–
Commonwealth Superannuation Corporation	–	–	–	–	1	1
Future Fund Management Agency and the Board of Guardians	2	–	2	1	–	1
Independent Parliamentary Expenses Authority	2	–	2	–	1	1

Source: ANAO analysis of audit differences reported to entities in the Finance portfolio.

4.5.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Finance, and findings for other material entities and non-material entities in the portfolio.

Department of Finance

4.5.5 The Department of Finance (Finance) is responsible for supporting the government's budget process and the development and implementation of the government's regulatory frameworks for public sector resource management, governance and accountability. In addition, Finance is responsible for the preparation of the consolidated financial statements of the Australian Government, which includes the whole-of-government and the general government sector financial statements and the Australian Government's financial outcome. The department also provides shared services through the Service Delivery Office.

Summary of financial performance

4.5.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Finance (as outlined in Table 4.5.3 and Table 4.5.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.5.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(314.6)	(805.3)
Revenue from government	278.9	709.8
Income tax equivalent	(3.1)	(3.4)
Surplus/(deficit) attributable to the Australian Government	(38.7)	(98.9)
Total other comprehensive income/(loss)	65.5	5.5
Total comprehensive income/(loss) attributable to the Australian Government	26.7	(93.3)
Total assets	5,448.5	3,867.0
Total liabilities	1,992.6	1,752.8
Total equity	3,455.9	2,114.3

Source: Finance's audited financial statements for the year ended 30 June 2022.

4.5.7 Comcover is the Australian Government's self-managed general insurance fund. Comcover is administered by Finance. The $490.7 million improvement in Finance's net cost of services is due to lower insurance claims experience in 2021–22 compared to 2020–21. The decrease in revenue from government of $430.9 million is also primarily due to the higher funding provided in 2020–21 for higher claims in the prior year.

4.5.8 Assets increased by $1,581.5 million due to the construction of the Centres of National Resilience in Melbourne, Brisbane and Perth. This increase is reflected by:

- $1.2 billion of additions to property, infrastructure, plant and equipment assets; and
- $300.0 million increase in cash held in the property special account, relating to the remaining construction project payments.

4.5.9 Liabilities increased due to a higher Comcover insurance claims provision of $181.8 million and an increase in trade creditors and accruals of $79.0 million, partly offset by a decrease in the return of equity of $19.7 million. The higher Comcover insurance claims provision reflects adverse weather events, particularly flood claims in the property portfolio and changes in economic assumptions such as higher inflation forecasts. The increase in trade creditors and accruals relates to the construction of the Centres of National Resilience. The lower return of equity reflects the updated calculation of funds to be held in the property special account.

Table 4.5.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	11,636.4	10,854.8
Total income	1,772.6	4,984.8
Surplus/ (deficit)	(9,863.9)	(5,870.0)
Total other comprehensive income/(loss)	47,171.0	17,978.8
Total comprehensive income/(loss)	37,307.1	12,108.8
Total assets administered on behalf of Government	52,628.1	53,549.4
Total liabilities administered on behalf of Government	185,082.5	230,252.5
Net assets/(liabilities)	(132,454.4)	(176,703.1)

Source: Finance's audited financial statements for the year ended 30 June 2022.

4.5.10 Total expenses were higher due to an increase in the superannuation expense of $687.4 million, losses on financial investments of $610.0 million (no losses in 2020–21) and lower investment funds distributions of $423.0 million. The increase in superannuation expense is driven by the higher discount rate for 2021–22 compared to 2020–21. Total income was lower mainly due to losses on financial investments in 2021–22, whereas in 2020–21 there were gains of $3.4 billion. The losses on financial investments and lower distributions reflect market returns.

4.5.11 The decrease in total assets reflects lower investment funds balance of $647.3 million, the repayment of $192.5 million of loans and a reduction in cash held in the Official Public Account of $71.7 million.

4.5.12 Total liabilities decreased by $45.2 billion primarily due to a reduction in the superannuation provision of $45.4 billion driven by an increase in the discount rates applied to the provision balance calculations.

Key areas of financial risk

4.5.13 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Finance's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.5.5.

Table 4.5.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental insurance provision $1.3 billion	Valuation of the outstanding claims liability under the Australian Government's self-managed general insurance fund KAM	**Higher**	• complex calculation of the liability that involves significant judgement over key assumptions including claim ratios, expected frequency of claims, severity of claims and discount rates.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered superannuation provision $181.0 billion	Valuation of the non-defence superannuation provision KAM	**Higher**	• complex calculation requiring significant judgement in the selection of long-term assumptions, including economic assumptions and demographics of the schemes' members.
Departmental land and buildings (including investment properties) $3.2 billion	Valuation of properties KAM	**Moderate**	• the valuations being dependent on assumptions that require judgement relating to fair market rents, discount rates, condition and use of the properties.

Source: ANAO 2021–22 audit results, and Finance's audited financial statements for the year ended 30 June 2022.

Audit results

4.5.14 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

ASC Pty Ltd

4.5.15 ASC Pty Ltd (ASC) and its subsidiaries, including ASC AWD Shipbuilder Pty Ltd and ASC OPV Shipbuilder Pty Ltd, support Australia's naval capabilities. ASC was the builder of Australia's fleet of Collins class submarines for the Royal Australian Navy and is responsible for the ongoing design enhancements, maintenance and support of the submarines through the In Service Support Contract (ISSC).

4.5.16 ASC is part of the Alliance Based Target Incentive Agreement (ABTIA) that delivered three Air Warfare Destroyers for the Royal Australian Navy. The other members of ABTIA include the Commonwealth of Australia represented by the Department of Defence and Raytheon Australia as the mission systems integrator

4.5.17 ASC OPV Shipbuilder Pty Ltd is contracted to provide resources and support to the Offshore Patrol Vessel (OPV) program prime contractor, Luerssen Australia, to construct the first two ships in Australia's new fleet of modern OPVs.

4.5.18 ASC is contracted to the Australian Government to deliver the Sovereign Shipbuilding Talent Pool to retain, grow and develop the shipbuilding workforce impacted by the Attack Class submarine decision.

Summary of financial performance

4.5.19 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by ASC (as outlined in Table 4.5.6) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.5.6: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	546.6	536.2
Total income	575.7	588.5
Income tax expense	8.8	15.6
Profit/ (loss) after income tax	20.3	36.7
Total other comprehensive income/(loss) after income tax	0.3	0.1
Total comprehensive income/(loss) after income tax	20.6	36.8
Total assets	535.8	525.7
Total liabilities	350.7	349.1
Net assets/ (liabilities)	185.1	176.6

Source: ASC's audited financial statements for the year ended 30 June 2022.

4.5.20 The increase in total expenses is due to higher employee expenses resulting from an increase in the number of projects managed by ASC. This has been offset by a decrease in costs associated with materials and subcontractors due to the completion of milestones associated with shipbuilding.

4.5.21 Total income has decreased primarily due to the completion of Hobart Class Air Warfare Destroyer (AWD) program which has been offset with commencement of new Sovereign Shipbuilding Talent Pool Program which is intended to retain and grow Australia's sovereign submarine workforce to support the anticipated Nuclear-Powered Submarine program.

4.5.22 Total assets have primarily increased as a result of significant work in the current year to complete the build of the Digital Transformation Project (DTP) undertaken by ASC.

Key areas of financial risk

4.5.23 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ASC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.5.7.

Table 4.5.7: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Revenue from continuing operations $575.7 million	Revenue and profit recognition in relation to the Air Warfare Destroyer (AWD) and Offshore Patrol Vessel projects and the Collins Class submarine in-service support contract	**Moderate**	• accounting for revenue, profit recognition, and claims in relation to these projects and contracts is complex due to the need to estimate and calculate many variables, including performance against targets. The amounts are subject to significant estimation and judgement.
Recognition of employee entitlement liability.	Recognition of employee entitlement liability for AWD	**Moderate**	• accounting and recognition of employee entitlement liability for AWD program is complex due to the judgements driven by complex agreements involved in estimating the liability for the program.
Capitalisation of Intangible costs $27.3 million	Capitalisation of costs associated with DTP program	**Moderate**	• accounting and recognition of costs associated with DTP project is considered a moderate risk primarily due to the judgements involved in capitalisation of costs.

Source: ANAO 2021–22 audit results, and ASC's audited financial statements for the year ended 30 June 2022.

Audit results

4.5.24 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Naval Infrastructure Pty Ltd

4.5.25 Australian Naval Infrastructure Pty Ltd (ANI) was established to acquire, hold, manage and develop the infrastructure and related facilities used for the Commonwealth's ongoing Naval Shipbuilding Plan. The infrastructure held by ANI at Osborne in South Australia is used by Luerssen Australia Pty Ltd for the construction of two offshore patrol vessels, BAE Systems Maritime Australia for the Hunter Class Frigate program, and ASC Pty Ltd for maintenance of the Collins class submarines under contract arrangements with the Commonwealth, represented by the Department of Defence.

4.5.26 ANI is a proprietary company limited by shares registered under the *Corporations Act 2001*. The Commonwealth represented by the Minister for Finance and Minister for Defence as Shareholder Ministers, wholly own all of ANI's share capital.

Summary of financial performance

4.5.27 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by ANI (as outlined in Table 4.5.8) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.5.8: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	393.5	55.9
Total income	41.9	45.7
Income tax benefit/ (expense)	78.4	5.0
Profit/ (loss) after income tax	(273.2)	(5.2)
Total other comprehensive income after income tax	65.1	41.4
Total comprehensive income after income tax	(208.1)	36.2
Total assets	1,456.7	1,518.6
Total liabilities	17.1	92.8
Net assets/ (liabilities)	1,439.6	1,425.8

Source: ANI's audited financial statements for the year ended 30 June 2022.

4.5.28 In 2020 ANI completed a $535.0 million project to expand the surface shipyard at Osborne in support of the Hunter Class Frigate Program and is also modernising existing facilities. ANI had been developing a new Attack Class Submarine yard, the Osborne North Development Project (ONDP), although work on this project was put on hold pending definition by the Department of Defence on the infrastructure requirements to support the build of the nuclear-powered submarines (NPS).

4.5.29 The movement in total expenses and total assets is primarily due to the recognition of an impairment charge against ONDP assets under construction that were considered unlikely to be repurposed for the potential NPS yard or used elsewhere within the precinct.

Key areas of financial risk

4.5.30 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ANI's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.5.9.

Table 4.5.9: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Property, plant and equipment (PPE) (excluding capital work in progress) $1.196 billion	Valuation of PPE	**Higher**	• valuation requires significant judgements and estimates particularly in relation to assessing the highest and best use for the assets; and • significant expansion of PPE holdings, including work-in-progress.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Capital work in progress $169.7 million	Completeness and accuracy of capital work in progress.	**Higher**	• complex projects which involve judgements in relation to capitalisation of work in progress.

Source: ANAO 2021–22 audit results, and ANI's audited financial statements for the year ended 30 June 2022.

Audit results

4.5.31 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Future Fund Management Agency

4.5.32 The Future Fund Board of Guardians, supported by the Future Fund Management Agency (together the Future Fund), is responsible for investing the assets of the Future Fund under the Future Fund Act 2006, and other investment funds, managed on behalf of the Department of Finance, as a means to provide financing sources for substantial future investments in the Australian economy. Legislation under which the investments are made include: the *Disability Care Australia Fund Act 2013*; the *Medical Research Future Fund Act 2015*; the *Aboriginal and Torres Strait Islander Land and Sea Future Fund Act 2018*; the *Emergency Response Fund Act 2019*; and *the Future Drought Fund Act 2019*.

Summary of financial performance

4.5.33 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by the Future Fund (as outlined in Table 4.5.10) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.5.10: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	372.5	353.6
Total (loss)/income	(1,998.8)	36,175.6
Income tax expense	(75.5)	(108.7)
(Deficit)/surplus	(2,446.8)	35,713.3
Total other comprehensive income	–	–
Total comprehensive (loss)/income	(2,446.8)	35,713.3
Total assets	200,626.2	198,828.8
Total liabilities	6,313.5	2,069.3
Total equity	194,312.7	196,759.5

Source: Future Fund's audited financial statements for the year ended 30 June 2022.

4.5.34 The deficit for 2021–22 was primarily due to $43.5 billion in fair value losses on public and private market investments, compared to strong gains in 2020–21 due to the recovery from the

COVID-19 pandemic. The current year deficit was partially offset by an increase of $4.9 billion in dividends, imputation credits and distributions.

4.5.35 The increase of $1.8 billion in total assets was primarily due to more investment asset purchases compared to sales during the year. Increase in total liabilities was primarily due to an increase of $4.3 billion in derivative financial liabilities due to the weakening of the AUD against the USD and an average fall in the underlying equity markets.

Key areas of financial risk

4.5.36 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Future Fund's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.5.11.

Table 4.5.11: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Investments – collective investment vehicles $96.7 billion	Valuation of private market investments KAM	**Higher**	• the size of the investments and the inherent subjectivity and significant judgements and estimates required where market data is not available to determine the fair value of these investments.
Administered Investments – other (excludes collective investment vehicles) $92.5 billion	Valuation of public market investments	**Moderate**	• the size of the investments and the reliance on the valuation undertaken by the custodian.

Source: ANAO 2021–22 audit results, and Future Fund's audited financial statements for the year ended 30 June 2022.

Audit results

4.5.37 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.6 Foreign Affairs and Trade portfolio

Portfolio overview

4.6.1 The objective of the Foreign Affairs and Trade portfolio is to advance Australia's security and prosperity in a contested and competitive world, as supported by the implementation of the 2017 Foreign Policy White Paper. Table 4.6.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.6.1: Foreign Affairs and Trade portfolio material and other entities discussed in this chapter

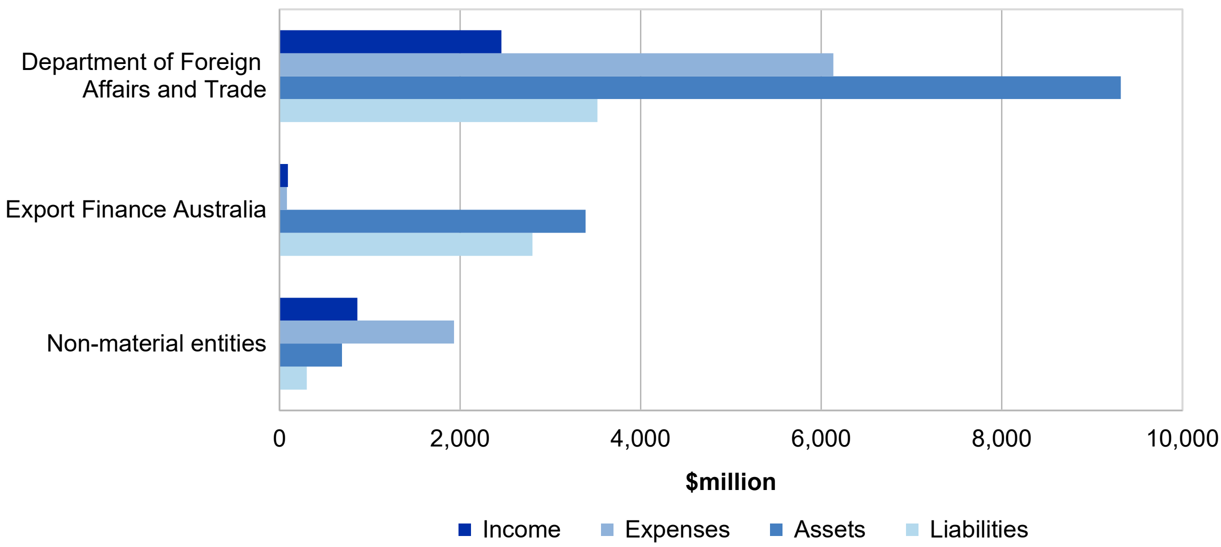
Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Foreign Affairs and Trade	**Yes**	Moderate	✓	2 Sept 2022	5 Sept 2022	Nil
Export Finance Australia	**Yes**	Moderate	✓	30 Aug 2022	30 Aug 2022	Nil

✓: auditor's report not modified

4.6.2 The Department of Foreign Affairs and Trade (DFAT) is the lead entity in the portfolio and is responsible for providing foreign, trade and development policy advice, leading the Australian Government's international efforts to shape the regional and international environment, and supporting the welfare of Australians overseas.

4.6.3 Figure 4.6.1 shows the Foreign Affairs and Trade portfolio's income, expenses, assets and liabilities.

Figure 4.6.1: Foreign Affairs and Trade portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.6.4 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.6.2 provides a summary of those audit differences that relate to entities within the Foreign Affairs and Trade portfolio.

Table 4.6.2: The number of audit differences for entities in the Foreign Affairs and Trade portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Foreign Affairs and Trade	2	2	4	3	–	3
Australian Centre for International Agricultural Research	–	1	1	–	1	1
Australian Trade and Investment Commission	1[a]	5	6	5	3	8
Tourism Australia	–	1	1	–	2	2

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Source: ANAO analysis of audit differences reported to entities in the Foreign Affairs and Trade portfolio.

4.6.5 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Foreign Affairs and Trade, and other material entities.

Department of Foreign Affairs and Trade

4.6.6 The Department of Foreign Affairs and Trade (DFAT) supports Australia's foreign, trade and investment, development and international security policy priorities. DFAT is the lead agency managing Australia's international presence and will lead efforts to maximise Australia's security and prosperity through implementation of the 2017 Foreign Policy White Paper.

Summary of financial performance

4.6.7 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DFAT (as outlined in Table 4.6.3 and Table 4.6.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.6.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(1,789.9)	(1,644.8)
Revenue from government	1,642.3	1,581.8
Surplus/(deficit) attributable to the Australian Government	(147.6)	(63.0)
Total other comprehensive income/(loss)	119.1	(189.8)
Total comprehensive income/(loss) attributable to the Australian Government	(28.5)	(252.8)
Total assets	6,319.0	6,052.2
Total liabilities	1,681.5	1,583.3
Total equity	4,637.5	4,468.9

Source: DFAT's audited financial statements for the year ended 30 June 2022.

4.6.8 The increase in other comprehensive income is due to favourable foreign exchange rates in 2021–22 and a gain on revaluation of the overseas property portfolio compared to the loss in the prior year.

4.6.9 The $60.5 million increase in revenue from government is due to new funding for overseas COVID-19 assistance and funding for additional staff for ongoing activities.

Table 4.6.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	4,176.3	4,709.9
Total income	716.1	323.7
Net (cost of)/contribution by services	(3,460.2)	(4,386.2)
Total other comprehensive income/(loss)	(392.1)	5.9
Total comprehensive income/(loss)	(3,852.3)	(4,380.3)
Total assets administered on behalf of Government	2,993.4	3,425.9
Total liabilities administered on behalf of Government	1,838.8	2,163.5
Net assets	1,154.6	1,262.4

Source: DFAT's audited financial statements for the year ended 30 June 2022.

4.6.10 The decrease in total expenses is primarily attributable to a reduction in international development assistance of $82 million and $398 million for multilateral replenishments and other loans. The decrease in liabilities is due to payments of $329 million being paid to existing multilateral replenishments with only one new replenishment of $8 million being recognised in 2021–22.

4.6.11 Total income has increased by $354.4 million due to a rise in passport applications from the prior year due to the easing of travel restrictions.

4.6.12 Total assets and total other comprehensive income have decreased due to the downward revaluation of the department's investments in international organisations.

Key areas of financial risk

4.6.13 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DFAT's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.6.5, including areas which were considered key audit matters (KAM) by the ANAO.

Table 4.6.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Land and buildings $4.6 billion	Valuation of the overseas property portfolio KAM	Higher	• subject to complex estimation and judgements affected by market conditions at overseas locations and foreign exchange movements; • range of valuation methodologies applied; and • reliance on third-party contractual arrangements for the management of overseas property.
Administered international development assistance $3.49 billion	Completeness and accuracy of international development assistance KAM	Moderate	• assistance provided underpinned by a broad range of agreements. These agreements cover a variety of geographical areas with various counterparties including international organisations, emergency and humanitarian programs, contributions to non-government organisations and volunteer programs.

Source: ANAO 2021–22 audit results, and DFAT's audited financial statements for the year ended 30 June 2022.

Audit results

4.6.14 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Export Finance Australia

4.6.15 Through loans, bonds, guarantees and in limited circumstances equity, Export Finance Australia enables small to medium-sized enterprises, large corporate entities and governments to take on export-related opportunities, win business, grow internationally and achieve export success. Export Finance Australia provides financial expertise and solutions to drive sustainable growth that benefits Australia and its partners.

Summary of financial performance

4.6.16 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Export Finance Australia. These have been split to provide detail on the commercial account (see Table 4.6.6) and the national interest account (as outlined in Table 4.6.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.6.6: Commercial account financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	75.4	78.4
Total income	93.7	94.6
Net profit/ (loss) before tax equivalent	18.3	16.2
Income tax equivalent	5.5	4.9
Net profit/ (loss) available to the Commonwealth	12.8	11.3
Total other comprehensive income/(loss)	37.0	–
Total comprehensive income/(loss) for the period available to the Australian Government	49.8	11.3
Total assets	3,389.6	2,816.8
Total liabilities	2,802.7	2,274.0
Total equity	586.9	542.8

Source: Export Finance Australia's audited financial statements for the year ended 30 June 2022.

4.6.17 The increase in other comprehensive income relates to the revaluation for land and buildings in 2021–22.

4.6.18 Total assets increased largely due to additional holdings of cash at year end to fund future loans and receivables. Liabilities have increased due to revaluation of derivative financial liabilities and additional borrowings required to fund the increasing loans and receivables.

Table 4.6.7: National interest account financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	26.6	22.2
Total income	35.2	52.7
National interest account attributable to the Australian Government	8.6	30.5
Total assets administered on behalf of Government	3,067.7	404.9
Total liabilities administered on behalf of Government	3,067.7	404.9
Net assets	–	–

Source: Export Finance Australia's audited financial statements for the year ended 30 June 2022.

4.6.19 The Australian Government committed to provide a financing package to support Telstra's acquisition of Digicel Pacific. The increase in assets and liabilities held is primarily due to the national interest account obtaining the funding for this agreement prior to 30 June 2022. The cash raised was invested in short term deposits prior to settlement with Telstra.

Key areas of financial risk

4.6.20 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Export Finance Australia's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.6.8.

Table 4.6.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Commercial account Loans and receivables $1.1 billion	Impairment of loans and receivables	**Moderate**	• complex measurement, classification and disclosure requirements; and • subject to estimation and judgement including the credit risk exposure for key loans which has increased due to the COVID-19 pandemic.
Commercial account Financial assets $3.2 billion Financial liabilities $2.8 billion	Valuation and classification of financial instruments	**Moderate**	• complex measurement which involves derivatives, financial instruments, borrowings and loans and receivables; and • subject to estimation and judgement in assessing the reasonableness of the valuation assumptions and inputs to independent sources.
Commercial account Net interest income $14.7 million National interest account Net interest expense $6.8 million	Completeness and accuracy of interest income recognised	**Moderate**	• multiple loans with different terms, conditions and counterparties; • reliance on the loan management system to correctly calculate interest due; • accuracy of inputs recorded in the system for new loans; and • completeness and accuracy of data transfer from the loan management system to the Financial Management Information System.

Source: ANAO 2021–22 audit results, and Export Finance Australia's audited financial statements for the year ended 30 June 2022.

Audit results

4.6.21 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.7 Health portfolio

Portfolio overview

4.7.1 The Health portfolio works towards achieving better health and wellbeing for all Australians, now and for future generations. Table 4.7.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.7.1: Health portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Health	**Yes**	High	✓	30 Aug 22	1 Sept 22	◆☐
National Blood Authority	**Yes**	Low	✓	6 Sept 22	6 Sept 22	Nil
National Health and Medical Research Council	**Yes**	Low	✓	31 Aug 22	31 Aug 22	Nil

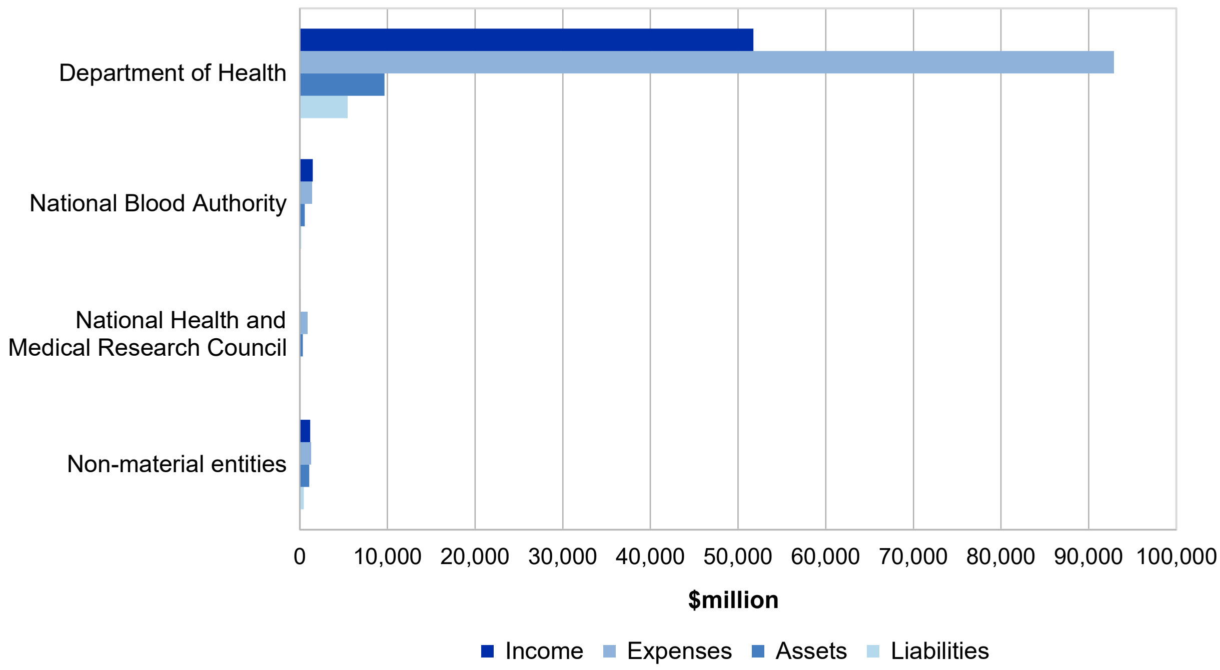
✓: auditor's report not modified

◆: new significant or moderate issues and/or legislative matters noted

☐: significant or moderate findings and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.7.2 Figure 4.7.1 shows the Health portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.7.1: Health portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.7.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.7.2 provides a summary of those audit differences that relate to entities within the Health portfolio.

Table 4.7.2: The number of audit differences for entities in the Health portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Health	3	3	6	4[b]	2[b]	6
Aged Care Quality and Safety Commission	–	1	1	–	1	1
Australian Digital Health Agency	1	1	2	–	–	–
Australian Institute of Health and Welfare	–	1	1	–	–	–
Australian National Preventive Health Agency	–	1	1	–	–	–
Australian Organ and Tissue Donation and Transplantation Authority	–	1[a]	1	–	–	–
Australian Radiation Protection and Nuclear Safety Agency	–	1	1	–	–	–
Australian Sports Commission	1	–	1	–	–	–
Australian Sports Foundation Limited	–	1	1	–	–	–
Food Standards Australia New Zealand	–	2[a]	2	–	–	–
National Health Funding Body	1	–	1	–	5[b]	5
National Mental Health Commission	2	–	2	–	–	–
Professional Services Review Scheme	1	–	1	–	–	–

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Note b: The adjustments include adjustments identified in 2020–21 that relate to 2019–20.

Source: ANAO analysis of audit differences reported to entities in the Health portfolio.

4.7.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Health, and findings for other material entities and non-material entities in the portfolio.

Department of Health

4.7.5 The Department of Health (Health) is responsible for achieving the Australian Government's health and ageing policy priorities through evidence-based policy, program administration, research, regulatory activities, and partnerships with other government entities, consumers and stakeholders.

Summary of financial performance

4.7.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Health (as outlined in Table 4.7.3 and Table 4.7.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.7.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(1,055.2)	(836.7)
Revenue from government	1,019.4	802.9
Surplus/(deficit) attributable to the Australian Government	(35.7)	(33.8)
Total other comprehensive income/(loss)	(1.6)	(8.4)
Total comprehensive income/(loss) attributable to the Australian Government	(37.3)	(42.1)
Total assets	1,211.5	1,047.9
Total liabilities	928.8	856.9
Total equity	282.7	191.0

Source: Health's audited financial statements for the year ended 30 June 2022.

4.7.7 The increase in the net cost of services from the prior year is primarily due to the continued work in supporting the national response to the COVID-19 pandemic. This work resulted in a $120.1 million increase in employee benefit costs due to the growth in staffing, as well as a $113.2 million increase in supplier costs primarily related to additional contractor and consultant expenditure to assist with the COVID-19 vaccine roll-out and logistical support.

4.7.8 Revenue from government increased by $216.5 million as a result of additional funding provided in response to the COVID-19 pandemic, the COVID-19 vaccine roll-out and additional support for Aged Care programs.

4.7.9 The increase in total assets was primarily due to an increase in appropriations receivable of $106.6 million in line with the additional funding provided to Health during the financial year.

4.7.10 The increase in total liabilities was driven by an increase in lease liabilities of $35.6 million. The practical completion of building works resulted in Health occupying lease premises earlier than expected.

Table 4.7.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(91,610.3)	(83,008.2)
Total income	50,509.5	46,320.2
Surplus/(deficit)	(41,100.7)	(36,688.1)
Total other comprehensive income/(loss)	(23.8)	(2.5)
Total comprehensive income/(loss)	(41,124.6)	(36,690.5)
Total assets administered on behalf of Government	8,430.3	5,895.8
Total liabilities administered on behalf of Government	4,533.4	3,661.0
Net assets/(liabilities)	3,896.9	2,334.9

Source: Health's audited financial statements for the year ended 30 June 2022.

4.7.11 The increase in total expenses was primarily due to a $5.5 billion increase in personal benefits primarily reflecting increases in Medicare funding of $1.2 billion to strengthen the system and protect the community from COVID-19, a $4.0 billion increase in the Pharmaceutical Benefits Scheme (PBS) due to investment in new medicine listings and $214.1 million additional investment in aged care funding.

4.7.12 The increase in total assets is primarily due to a $1.5 billion increase in cash and cash equivalents due to a difference in the timing between the availability of funds and the payment of claims from the Medicare Guarantee Fund (Health) Special Account. There was also a $1.2 billion increase in inventories associated with the National Medical Stockpile (NMS) as part of the Australian Government's continued response to the COVID-19 pandemic and COVID-19 vaccine procurement processes.

Key areas of financial risk

4.7.13 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Health's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.7.5.

Table 4.7.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered personal benefits and subsidies $59.4 billion Personal benefits' expenses $14.7 billion	Accuracy of personal benefits and subsidies KAM	**Higher**	• the payments are calculated by multiple, complex information technology systems; and • the payments are based on the information provided by the recipients and may be significantly impacted by delays in recipients providing correct or updated

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Aged care subsidies expenses			information and/or the provision of incorrect information resulting in invalid payments.
Administered personal benefits' provisions $1.2 billion	Valuation of personal benefits' provisions KAM	**Higher**	• significant actuarial assumptions and judgements are involved in estimating the personal benefits' provisions; • the significant judgements relate to the amount and timing of future claims, estimating the period over which these provisions are expected to be settled; and • the judgements rely on the completeness and accuracy of the underlying historical data used in the estimation process.
Administered subsidies provisions $575.2 million	Valuation of subsidies provisions KAM	**Higher**	• significant actuarial assumptions and judgements are involved in estimating the subsidies provisions; • the significant judgements relate to the amount and timing of future claims, estimating the period over which these provisions are expected to be settled and use of an appropriate discount rate; and • the judgements rely on estimates prepared by industry specialists.
Administered inventories $2.6 billion	Existence and completeness of inventories KAM	**Higher**	• nature, size and complexity of the inventory transactions.

Source: ANAO 2021–22 audit results, and Health's audited financial statements for the year ended 30 June 2022.

Audit results

4.7.14 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.7.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	1	1	1
Total	1	**1**	**1**	**1**

Source: ANAO 2021–22 audit results.

4.7.15 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that Health's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Impairment of administered inventory

4.7.16 During the stocktaking conducted for the NMS during 2021–22, Health identified errors associated with the expiry date of NMS items. Due to the errors identified, management completed additional assurance activities to confirm the appropriateness of the carrying value of inventory as at 30 June 2022.

4.7.17 Individual inventory items held in the NMS are written off when the item passes its expiration date or when the item has been assessed as damaged. Similarly, vaccines inventory is written-off when there is observed damage, the item passes its expiration date and/or cold chain breaches.

4.7.18 The ANAO has recommended that Health implement an activity to provide assurance that the impairment status of inventory is accurate and to incorporate expiry date adjustments as part of the cycle count process. The ANAO has also recommended that Health should consider developing an allowance for impairment based on a consumption forecast model, focusing on inventory categories that are likely to expire before they are consumed.

Resolved moderate audit finding

National Medical Stockpile – recording and management

4.7.19 During the 2019–20 audit, the ANAO's testing identified weaknesses in Health's recording and management of the NMS. While the introduction of a new inventory management system has been delayed until 2022–23, Health has introduced quality assurance processes to mitigate the risks previously identified.

National Blood Authority

4.7.20 The National Blood Authority (NBA) is responsible for securing the supply of safe and affordable blood products, including through national supply arrangements and coordination of best practice standards within agreed funding policies under the national blood arrangements.

Summary of financial performance

4.7.21 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by the NBA (as outlined in Table 4.7.7 and Table 4.7.8) and includes commentary regarding significant movements between years contributing to overall performance contributing to overall performance.

Table 4.7.7: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(6.2)	(6.0)
Revenue from government	5.5	5.5
Surplus/(deficit) attributable to the Australian Government	(0.7)	(0.5)
Total other comprehensive income	–	–
Total comprehensive income/(loss) attributable to the Australian Government	(0.7)	(0.5)
Total assets	15.9	12.4
Total liabilities	7.6	4.0
Total equity	8.3	8.4

Source: NBA's audited financial statements for the year ended 30 June 2022.

4.7.22 Total assets and total liabilities increased as a result of the NBA signing a new property lease. Right-of-use assets increased by a net of $3.8 million and property lease liabilities increased by $4.0 million.

Table 4.7.8: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	1,399.5	1,368.3
Total income	1,470.7	1,306.4
Surplus/ (deficit)	71.2	(61.9)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	71.2	(61.9)
Total assets administered on behalf of Government	549.5	463.8
Total liabilities administered on behalf of Government	147.7	133.5
Net assets/ (liabilities)	401.8	330.3

Source: NBA's audited financial statements for the year ended 30 June 2022.

4.7.23 Total expenses and total income increased due to a rise in demand for blood products. The increased demand for blood products also resulted in higher inventory levels and trade receivable balances in 2021–22. Total assets have also increased due higher cash holdings as a result of the operating surplus in 2021–22. Total liabilities increased due to a rise in deferred revenue liabilities which is also related to the rise in demand for blood products.

Key areas of financial risk

4.7.24 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NBA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.7.9.

Table 4.7.9: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Inventories $115.2 million	Existence and valuation of inventory	**Moderate**	• judgements and assumptions involved in the valuation of blood and blood products; and • the geographical spread of inventory and reliance on service providers to manage the inventory holdings.

Source: ANAO 2021–22 audit results, and the NBA's audited financial statements for the year ended 30 June 2022.

Audit results

4.7.25 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Health and Medical Research Council

4.7.26 The National Health and Medical Research Council (NHMRC) is the Australian Government's key entity for managing investment in, and integrity of, health and medical research. NHMRC is also responsible for developing health advice for the Australian community, health professionals and governments, and for providing advice on ethical practice in health care and in the conduct of health and medical research.

Summary of financial performance

4.7.27 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by the NHMRC (as outlined in Table 4.7.10 and Table 4.7.11) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.7.10: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(39.7)	(35.4)
Revenue from government	36.9	36.6
Surplus/(deficit) attributable to the Australian Government	(2.8)	1.2
Total other comprehensive income	–	1.4
Total comprehensive income/(loss) attributable to the Australian Government	(2.8)	2.6
Total assets	51.3	58.1
Total liabilities	30.1	34.2
Total equity	21.2	23.9

Source: NHMRC's audited financial statements for the year ended 30 June 2022.

4.7.28 The increase in net cost of services is mainly due to an increase in suppliers' expenses of $3.5 million and an increase in depreciation and amortisation expenses of $1.2 million. Suppliers' expenses increased due to increased project related activity. Depreciation and amortisation expenses increased due to the implementation of a new grants management system.

4.7.29 Total assets decreased due to a fall in trade and other receivables of $3.3 million and a net decrease in the property, plant and equipment and intangibles balance of $2.4 million due to depreciation and amortisation exceeding new additions.

Table 4.7.11: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	836.0	858.2
Total income	10.1	5.5
Deficit	(825.9)	(852.7)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	(825.9)	(852.7)
Total assets administered on behalf of Government	275.4	220.1
Total liabilities administered on behalf of Government	19.4	16.5
Net assets	256.0	203.6

Source: NHMRC's audited financial statements for the year ended 30 June 2022.

4.7.30 Total expenses decreased by $22.2 million predominantly due to lower grant commitments resulting from delays in grant rounds and variations to existing grants resulting from the impact of the COVID-19 pandemic. This in turn contributed to an increase in cash of $57.3 million.

Key areas of financial risk

4.7.31 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NHMRC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.7.12.

Table 4.7.12: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Grant expense $836.0 million	Management and accounting of grant expenditure	**Moderate**	• management of, and accounting for, a range of grants payments that constitute a significant expense reported in NHMRC's financial statements; and • complexities associated with the indexing of grant payments.
Departmental Intangibles $25.3 million	Management and valuation of intangible assets	**Moderate**	• significant judgements involved in considering the indicators of impairment to estimate the value of intangible assets; and • judgements involved in estimating the capitalisation of the staff and other costs attributed to developing the software applications.

Source: ANAO 2021–22 audit results, and the NHMRC's audited financial statements for the year ended 30 June 2022.

Audit results

4.7.32 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.8 Home Affairs portfolio

Portfolio overview

4.8.1 The Home Affairs portfolio brings together Australia's federal law enforcement, national and transport security, criminal justice, cybersecurity, border protection, immigration and citizenship, emergency management, multicultural affairs, and settlement services. Table 4.8.1 identifies material entities specifically mentioned in this chapter.

Table 4.8.1: Home Affairs portfolio material and other entities discussed in this chapter

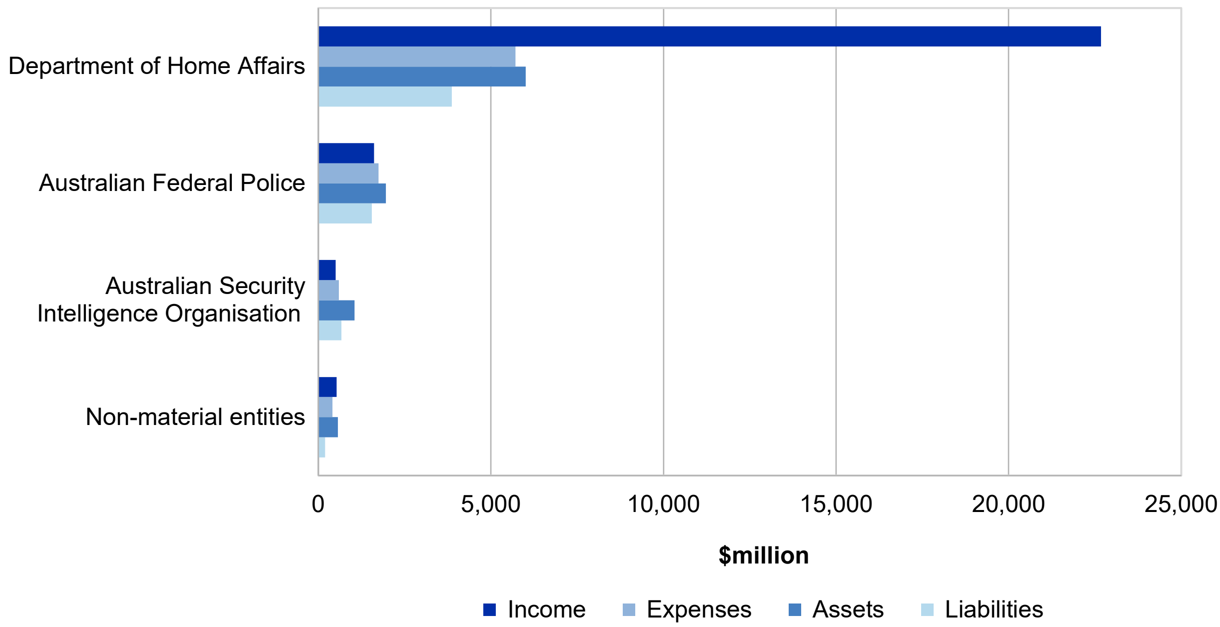
Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Home Affairs	**Yes**	High	✓	9 Sept 22	9 Sept 22	Nil
Australian Federal Police	**Yes**	Moderate	✓	12 Sept 22	12 Sept 22	☐
Australian Security Intelligence Organisation	**Yes**	Moderate	✓	22 Sept 22	23 Sept 22	Nil

✓: auditor's report not modified

☐: significant or moderate findings and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.8.2 Figure 4.8.1 shows the Home Affairs portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.8.1: Home Affairs portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.8.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.8.2 provides a summary of those audit differences that relate to entities within the Home Affairs portfolio.

Table 4.8.2: The number of audit differences for entities in the Home Affairs portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Home Affairs	1	–	1	3	–	3
Australian Criminal Intelligence Commission	3	–	3	–	1	1
Australian Federal Police	–	2[a]	2	1	–	1
Australian Security and Intelligence Organisation	1	–	1	–	–	–
Australian Transaction Reports and Analysis Centre	–	–	–	2[b]	1	3

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Note b: The adjustments include adjustments identified in 2020–21 that relate to the prior year.

Source: ANAO analysis of audit differences reported to entities in the Home Affairs portfolio.

4.8.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Home Affairs, and findings for other material entities and non-material entities in the portfolio.

Department of Home Affairs

4.8.5 The Department of Home Affairs (Home Affairs) coordinates policy and operations for Australia's national and transport security, federal law enforcement, criminal justice, cybersecurity, border, immigration, multicultural affairs, emergency management and trade-related functions.

Summary of financial performance

4.8.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Home Affairs (as outlined in Table 4.8.3 and Table 4.8.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.8.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(3,100.2)	(3,076.5)
Revenue from government	2,771.2	2,753.6
Surplus/(deficit) attributable to the Australian Government	(329.0)	(322.9)
Total other comprehensive income/(loss)	29.9	56.9
Total comprehensive income/(loss) attributable to the Australian Government	(299.1)	(266.0)
Total assets	4,630.2	4,313.7
Total liabilities	3,450.5	3,136.5
Total equity	1,179.7	1,177.2

Source: Home Affairs' audited financial statements for the year ended 30 June 2022.

4.8.7 The increase in total assets of $316.5 million is primarily due to the remeasurement of maritime surveillance aircraft assets totalling $222.3 million; increase in revaluation of vessels increment of $30.0 million; additional right-of-use building assets of $404.7 million mainly associated with the new leases for premises in Melbourne and Sydney; software additions of $122.9 million; and an increase in appropriation receivable of $65.9 million due to a lower capital expenditure than expected. The increases were offset by depreciation expenses of $595.1 million.

4.8.8 The increase in total liabilities of $314.0 million is primarily due to an increase in lease liabilities of $329.8 primarily associated with the recognition of two new leases in Melbourne and Sydney and the lease of maritime surveillance aircraft.

Table 4.8.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	2,371.2	2,595.4
Total income	19,700.1	20,376.2
Surplus/ (deficit)	17,328.9	17,780.8
Total other comprehensive income/(loss)	56.0	117.0
Total comprehensive income/(loss)	173,854.9	17,897.8
Total assets administered on behalf of Government	1,374.7	1,278.8
Total liabilities administered on behalf of Government	418.9	451.6
Net assets	955.8	827.2

Source: Home Affairs' audited financial statements for the year ended 30 June 2022.

4.8.9 Administered income decreased by $676.1 million primarily due to a $1.2 billion decline in customs duty collected. This is the result of a reduction in duty from tobacco in line with declining national trends in tobacco consumption. This decline has been offset by a $349.0 million increase in visa application charges and a $141.8 million increase in passenger movement charges associated with the re-opening of Australia's international border.

4.8.10 Administered expenses decreased by $224.2 million due to a $466.2 million reduction in personal benefits expense offset by the increase in the write-down and impairment of financial assets of $227.8 million. The reduction in personal benefit expenses was due to the transfer of responsibility for payments associated with natural disasters to the National Recovery and Resilience Agency.

Key areas of financial risk

4.8.11 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Home Affairs' financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.8.5.

Table 4.8.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Customs duty revenue $16.9 billion Taxation receivable – customs duty $447.2 million Impairment of taxation receivable – customs duty $260.5 million	Completeness and accuracy of customs duty collections and refunds KAM	**Higher**	• reliance on information provided by third parties in a self-assessment regime and volume of transactions that contribute to customs duty; • complexity in regard to the broader tariff classification scheme specifically related to products and origin; and • the complexity of the information technology (IT) environment used to manage customs duty due to multiple systems across multiple entities.
Administered Visa application charges $2.0 billion	Completeness and accuracy of the collection of visa revenue KAM	**Higher**	• the decentralised approach to the collection of visa revenue which occurs in a number of locations domestically and internationally, using a number of payment mechanisms and IT systems.
Administered Services rendered – detention (component of suppler expenses below) $1.7 billion	Accuracy of detention and regional processing centres expenses KAM	**Higher**	• complexity of contracts associated with managing the detention and regional processing centres; and • the variability of the costs associated with administering the detention and regional processing network, as the level of expenses is dependent on the rate of arrival and detention of these people.
Administered Non-financial assets relating to detention and regional	Valuation of detention and regional processing centres	**Moderate**	• the complexity of performing valuations in a range of markets given the geographically dispersed land, buildings and equipment including assets located overseas; and

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
processing centres (component of non-financial assets and excluding computer software and prepayments) $858.5 million			• the financial implications of the closure of regional processing centres.
Administered and Departmental Multiple financial statements line items	Completeness and accuracy of financial information associated with overseas posts	**Moderate**	• decentralised nature of operations and controls; and • • reliance on third-party arrangements through service level agreements with the Department of Foreign Affairs and Trade, and the Australian Trade and Investment Commission (Austrade).
Departmental Employee benefits expense $1.5 billion Employee provisions $472.5 million	Completeness and accuracy of employee entitlements	**Moderate**	• disbursement of staff across multiple locations, and variable staff entitlements including a range of allowances subject to a number of conditions.

Source: ANAO 2021–22 audit results, and Home Affairs' audited financial statements for the year ended 30 June 2022.

Audit results

4.8.12 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Federal Police

4.8.13 The Australian Federal Police (AFP) is responsible for the provision of police services in relation to laws of the Commonwealth, the provision of policing services to the Australian Capital Territory and external territories, combatting transnational serious organised crime and terrorism, disrupting crime offshore, supporting regional security, and protecting Australian interests and assets.

Summary of financial performance

4.8.14 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by AFP (as outlined in Table 4.8.6 and Table 4.8.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.8.6: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(1,366.6)	(1,294.1)
Revenue from government	1,251.2	1,157.9
Surplus/(deficit) attributable to the Australian Government	(115.4)	(136.2)
Total other comprehensive income	(2.0)	(0.2)
Total comprehensive income/(loss) attributable to the Australian Government	(117.4)	(136.4)
Total assets	1,953.4	2,053.4
Total liabilities	1,548.0	1,639.9
Total equity	405.4	413.5

Source: AFP's audited financial statements for the year ended 30 June 2022.

4.8.15 The increase in net cost of services is largely attributable to an increase in supplier expenses and employee benefits. The movement in supplier expenses is primarily the result of an increase in expenses associated with support provided to international police jurisdictions, an increase in communications and IT expenses associated with new software licences and support for new systems, and an increase in building and accommodation expenses related to general utility costs. This has been partially offset by an increase in revenue from contracts with customers relating to the provision of policing services to entities outside the AFP.

4.8.16 Total liabilities decreased by $91.9 million largely due to a decrease in employee provisions and lease liabilities. Movements in employee provisions are primarily the result of the AFP settling liabilities associated with previous underpayments of superannuation. The decrease in lease liabilities is due to the reduction in leases in line with the remaining lease terms.

Table 4.8.7: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	6.4	9.4
Total income	0.3	0.4
Surplus/ (deficit) attributable to the Australian Government	(6.1)	(9.0)
Total other comprehensive income after income tax	–	–
Total comprehensive income/(loss)	(6.1)	(9.0)
Total assets administered on behalf of Government	0.0	0.1
Total liabilities administered on behalf of Government	0.8	1.0
Net assets/ (liabilities)	(0.8)	(0.9)

Source: AFP's audited financial statements for the year ended 30 June 2022.

4.8.17 The decrease in total expenses is primarily due to a reduction in the purchase of police equipment for other jurisdictions during 2021–22.

Key areas of financial risk

4.8.18 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of AFP's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.8.8

Table 4.8.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Employee benefits $1.0 billion Employee provisions $373.6 million	Recognition and measurement of payroll	**Moderate**	• size and complex nature of the payroll function. Payroll expenses include a large number of sworn personnel, variable and extended work hours (i.e., penalty rates) and a wide variety of allowances; and • the identification of an underpayment of superannuation on certain allowances.

Source: ANAO 2021–22 audit results, and AFP's audited financial statements for the year ended 30 June 2022.

Audit results

4.8.19 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.8.9: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	1	–
Total	**1**	**–**	**1**	**–**

Source: ANAO 2021–22 audit results.

4.8.20 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that AFP's 2021–22 financial statements were not materially misstated.

Resolved moderate audit finding

Underpayment of superannuation on certain allowances

4.8.21 During 2017–18, the AFP identified an underpayment of superannuation expenses dating back to 2007, which resulted in the understatement of employee expenses and liabilities. The underpayment primarily related to obligations to pay superannuation on certain allowances which arose as a result of lack of clarity of obligations in enterprise agreements. An estimate of the resulting liability for specific allowances was reported in 2017–18. Updates to the estimate have been made in each subsequent year.

4.8.22 This issue was reported as a moderate audit finding in both 2017–18 and 2018–19. The issue was downgraded to a minor audit finding in 2019–20 on the basis that the AFP was expected to advance the project during 2020–21 to quantify the actual liability and commence settlement of the liability, which had not occurred prior to 30 June 2021. Consequently, the audit finding was escalated to a moderate audit finding in 2020–21.

4.8.23 During 2021–22 the AFP advanced the project, resulting in the quantification of the actual liability and the settlement of a portion of the liability. The AFP now has an established process to continue the settlement of the liabilities, which are largely expected to be finalised by 30 June 2023. On this basis, the ANAO has resolved the audit finding.

Australian Security Intelligence Organisation

4.8.24 The Australian Security Intelligence Organisation (ASIO) is responsible for protecting Australia, its people and its interest from threats to security through intelligence collection, assessment and advice to the government.

Summary of financial performance

4.8.25 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by ASIO (as outlined in Table 4.8.10) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.8.10: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net cost of/ (contribution by) services	574.3	537.4
Revenue from government	480.2	455.2
Surplus/(deficit) attributable to the Australian Government	(94.1)	(82.2)
Total other comprehensive income/(loss)	(5)	–
Total comprehensive income/(loss) attributable to the Australian Government	(94.1)	(82.2)
Total assets	1,044.2	1,081.9
Total liabilities	672.4	703.0
Total equity	371.7	378.9

Source: ASIO's audited financial statements for the year ended 30 June 2022.

4.8.26 Revenue from government has increased mainly due to the impacts of additional funding for delivery of programs and projects. The increase in funding contributed to the increase in net cost of services of $36.9 million. This is predominantly made up of an increase in supplier expenses for the additional delivery of programs and outputs.

4.8.27 Total assets have decreased by $37.7 million primarily due to the less additions of non-financial assets than expected as a result of supply chair delays.

Key areas of financial risk

4.8.28 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ASIO's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.8.11.

Table 4.8.11: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Employee benefits expenditure $270 million Employee leave provisions $85.9 million	Accuracy and completeness of employee benefits	**Moderate**	• limitations in the payroll system mean that some entitlements require manual calculation.
Non-financial assets $827.3 million	Valuation of non-financial assets	**Moderate**	• there is complexity and judgement required in determining the fair value of non-financial assets.

Source: ANAO 2021–22 audit results, and ASIO's audited financial statements for the year ended 30 June 2022.

Audit results

4.8.29 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.9 Industry, Science, Energy and Resources portfolio

Portfolio overview

4.9.1 The Industry, Science, Energy and Resources portfolio is responsible for investing in science, technology and commercialisation; growing innovative and competitive businesses, industries and regions; supporting a strong resources sector; reducing Australia's greenhouse gas emissions; developing clean energy technology; and supporting reliable, secure and affordable energy. Table 4.9.1 identifies material entities specifically mentioned in this chapter.

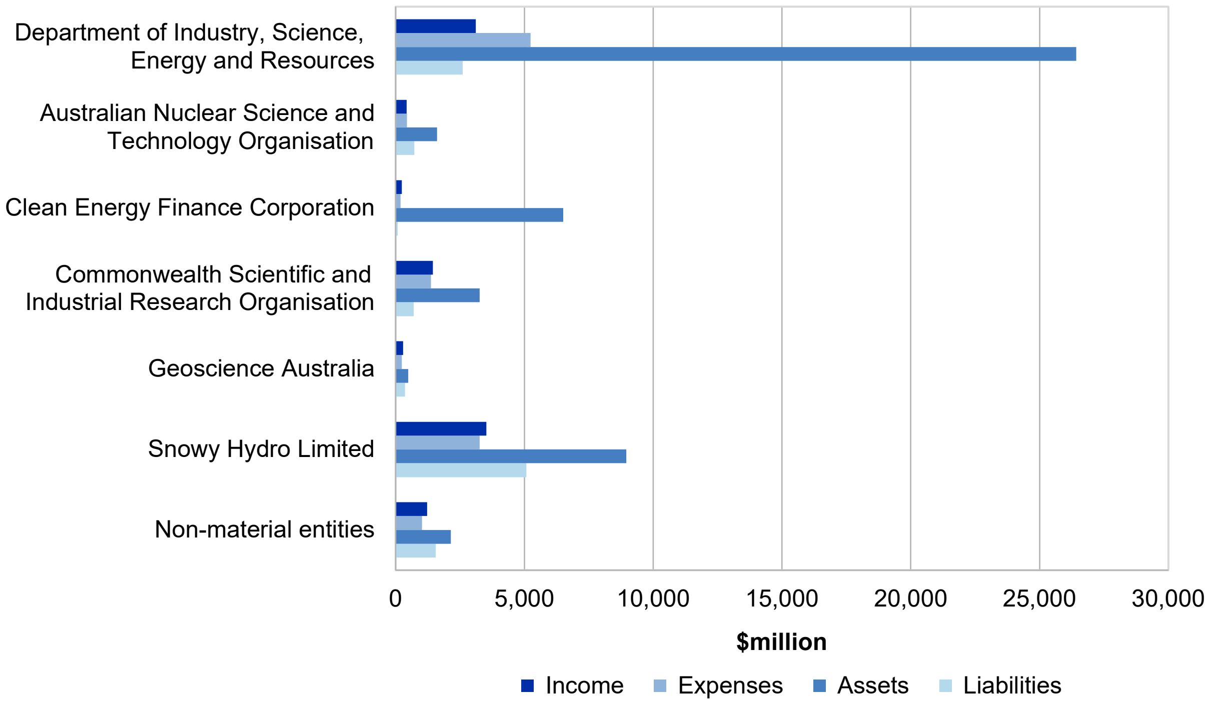
Table 4.9.1: Industry, Science, Energy and Resources portfolio material entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified
Department of Industry, Science, Energy and Resources	**Yes**	Moderate	✓	19 Sept 2022	20 Sept 2022	Nil
Australian Nuclear Science and Technology Organisation	**Yes**	Moderate	✓	16 Sept 2022	16 Sept 2022	▲☐
Australian Nuclear Science and Technology Organisation Nuclear Medicine Pty Ltd	**Yes**	Moderate	E	16 Sept 2022	16 Sept 2022	Nil
Clean Energy Finance Corporation	**Yes**	Moderate	✓	25 Aug 2022	25 Aug 2022	Nil
Clean Energy Regulator	No	Moderate	✓	27 Sept 2022	27 Sept 2022	◆
Commonwealth Scientific and Industrial Research Organisation	**Yes**	Moderate	✓	2 Sept 2022	2 Sept 2022	Nil
Geoscience Australia	**Yes**	Low	✓	30 Aug 2022	31Aug 2022	Nil
Snowy Hydro Limited	**Yes**	Moderate	✓	31 Aug 2022	31 Aug 2022	Nil

✓: auditor's report not modified
▲: significant or moderate issues and/or legislative matters reported previously not yet resolved
◆: new significant or moderate issues and/or legislative matters noted
☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.9.2 Figure 4.9.1 shows the Industry, Science, Energy and Resources Portfolio's income, expenses, assets and liabilities.

Figure 4.9.1: Industry, Science, Energy and Resources portfolio income, expenses, assets and liabilities



Source: 2021–22 CFS.

4.9.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.9.2 provides a summary of those audit differences that relate to entities within the Industry, Science, Energy and Resources portfolio.

Table 4.9.2: The number of audit differences for entities in the Industry portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Industry, Science, Energy and Resources	–	2	2	–	3	3
Australian Institute of Marine Science	1	–	1	–	–	–
Australian Nuclear Science and Technology Organisation	–	–	–	–	–	–
– ANSTO Nuclear Medicine Pty Ltd	–	–	–	–	1	1
Clean Energy Finance Corporation	–	–	–	–	–	–

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Commonwealth Scientific and Industrial Research Organisation	2	1	3	2[b]	–	2
– CSIRO Custodial Services Pty Ltd	–	1	1	–	–	–
– CSIRO Financial Services	–	1	1	–	–	–
– CSIRO Innovation Fund 1	1	–	1	–	–	–
– National ICT Australia Limited	–	–	–	–	2	2
Clean Energy Regulator	2[a]	1	3	–	–	–
Geoscience Australia	–	1	1	–	–	–
IP Australia	4	2	6	–	–	–
National Offshore Petroleum Safety and Environmental Management Authority	1	–	1	–	1	1
Snowy Hydro Limited	1[a]	1	2	1	1	2

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Note b: The adjustments include adjustments identified in 2020–21 that relate to 2019–20.

Source: Audit differences reported to entities in the Industry Portfolio.

4.9.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Industry, Science, Energy and Resources, and findings for other material entities and non-material entities in the portfolio.

Department of Industry, Science, Energy and Resources

4.9.5 The Department of Industry, Science, Energy and Resources (Industry) supports economic recovery, productivity and growth, and job creation for Australians by supporting industry, manufacturing, business capability, technology, science and innovation; the affordable, reliable, secure and competitive operation of energy markets and Australia's efforts to achieve net zero emissions by 2050; and also backs Australia's strong resources sector by supporting the development of Australia's mineral and energy resources for the benefit of the nation.

Summary of financial performance

4.9.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Industry (as outlined in Table 4.9.3 and Table 4.9.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.9.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–2 ($m)
Net (cost of)/contribution by services	(672.6)	(635.1)
Revenue from government	664.5	603.0
Surplus/(deficit) attributable to the Australian Government	(8.1)	(32.1)
Total other comprehensive income	(1.1)	0.6
Total comprehensive income/(loss) attributable to the Australian Government	(9.2)	(31.5)
Total assets	735.4	695.5
Total liabilities	474.6	483.5
Total equity	260.8	212.0

Source: Industry's audited financial statements for the year ended 30 June 2022.

4.9.7 The increase in the net cost of services of $37.5 million is primarily due to an increase in suppliers expense of $39.0 million in 2021–22 partially offset by an increase in revenue from contracts with customers. The increase in suppliers expenses was mainly driven by $20.0 million in additional contractor and consultant costs related to delivering major projects such as the Northern Endeavour decommissioning activities, Critical Urea Production Payments project, R&D Tax Incentive Program, National Measurement Institute strategic review project, MRNA Vaccine Implementation Initiative program. There were also increases in service and maintenance expenses ($11.7 million) relating to the Australian Energy Market Commission funding and funding for the Service Now platform and increases in subscriptions of $4.1 million driven by new international subscriptions and increasing costs of current subscriptions.

4.9.8 The increase in revenue from contracts with customers of $10.3 million was primarily due to increased revenue ($5.1 million) from the recovery of expenses associated with Industry's shared service arrangements with other Australian Government entities across information technology, corporate services and grants hub administration. There was also an increase in Questacon membership and subscription fees due to the easing of COVID-19 related travel restrictions of $2.2 million.

4.9.9 Revenue from government increased by $61.5 million due to additional funding for a range of initiatives including funding for the National Measurement Institute, the Australian Space Agency, Questacon and programs supporting reductions in energy and emissions.

4.9.10 Total assets increased by $39.9 million which is mainly due to a $66.1 million increase in appropriation receivables and receivables from government due to delayed expenditure offset by a decrease in land and buildings of $38.1 million which relates to the unwinding of leases.

Table 4.9.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(4,458.6)	(2,720.9)
Total income	2,499.6	853.1
Surplus/(deficit)	(1,959.0)	(1,867.8)
Total other comprehensive income (loss)	(2,491.7)	624.0
Total comprehensive income/(loss)	(4,450.7)	(1,243.8)
Total assets administered on behalf of Government	25,683.4	26,701.8
Total liabilities administered on behalf of Government	2,121.4	1,007.4
Net assets/(liabilities)	23,562.0	25,694.4

Source: Industry's audited financial statements for the year ended 30 June 2022.

4.9.11 The increase is total expenses of $1.7 billion is primarily due to increases in the rehabilitation provision relating to the Ranger uranium mine and the Northern Endeavour Floating Production Storage and Offtake facility of $1.4 billion.

4.9.12 Total income increased by $1.6 billion primarily due to higher North West Shelf royalty revenue receipts of $905.0 million from significantly higher realised sales prices for Liquefied Natural Gas and prices for other commodities also being higher than in the prior year, and an increase of $560.5 million associated with recognising a receivable for the shortfall between the Ranger Rehabilitation Provision and security funds provided by Energy Resources Australia.

4.9.13 Total assets decreased by $1.0 billion due to fair value adjustments to administered investments held by Industry offset ($1.7 billion) by equity payments from Snowy Hydro ($902 million) and increases in receivables relating to the sale of oil held and the increased receivable from ERA relating to the Ranger Uranium mine.

4.9.14 Total liabilities increased by $1.1 billion mainly due to movements in the rehabilitation provision for Ranger uranium mine and the Northern Endeavour Floating Production Storage and Offtake facility. This was offset by a decrease from the transfer of loan commitment provisions relating to the Northern Australia Infrastructure Facility (NAIF) to the Department of Infrastructure, Transport, Regional Development and Communications in July 2021.

Key areas of financial statements risk

4.9.15 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Industry's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.5.

Table 4.9.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Departmental Own-source revenue $109.0 million	Completeness and accuracy of Industry's other revenue streams	**Higher**	• numerous types of revenue streams with a reliance on manual calculations to quantify some revenue amounts; and • cash based transactions.
Administered Other investments $19.4 billion	Valuation of the Australian Government's investment in Snowy Hydro Ltd KAM	**Higher**	• judgement relating to forecasts of future cash flows as the investment is unique and not readily traded in the open market.
Administered Royalties revenue $1.5 billion Accrued revenue $81.6 million	Completeness and accuracy of offshore petroleum and uranium royalties KAM	**Higher**	• reliance on data reporting and administrative functions performed by third parties, including state and foreign governments and other federal government agencies; and • calculations are dependent on information provided by taxpayers in a self-assessment regime.
Administered Grant expense (a component of grants and subsidies) $820.9 million Grants payable $27.4 million	Accuracy, occurrence and completeness of grant payments	**Moderate**	• significant number of individual grant programs which operate under separate grant agreements and are subject to different eligibility criteria; and • reliance on third-party acquittals to confirm validity of grant payments.
Administered Rehabilitation provision $2,052.3 million	Valuation of the Ranger and Northern Endeavour Rehabilitation provision KAM	**Moderate**	• complexity of the valuation; • judgement involved in the valuation; and • reliance on data provided by third parties.

Source: ANAO 2021–22 audit results, and Industry's audited financial statements for the year ended 30 June 2022.

Audit results

4.9.16 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australia Nuclear Science and Technology Organisation

4.9.17 The Australia Nuclear Science and Technology Organisation (ANSTO) is Australia's national nuclear research and development organisation. ANSTO operates Australia's only nuclear research reactor and the Australian Synchrotron, contributes to radiopharmaceutical production and supply, and conducts research into areas of national priority, including human health, the environment and the nuclear fuel cycle. ANSTO also provide advice to government and other stakeholders on matters relating to nuclear science, technology and engineering.

Summary of financial performance

4.9.18 The following section provides a comparison of the 2020–21 and 2021–22 key departmental statements items reported by ANSTO (as outlined in Table 4.9.6) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.9.6: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(82.2)	(439.5)
Revenue from government	279.5	278.8
Surplus/(deficit) attributable to the Australian Government	197.7	(160.7)
Total other comprehensive income/ (loss)	(22.5)	116.9
Total comprehensive income/ (loss) attributable to the Australian Government	175.2	(43.8)
Total assets	1,598.7	1,579.7
Total liabilities	823.3	1,029.7
Total equity	775.4	550.0

Source: ANSTO's audited financial statements for the year ended 30 June 2022.

4.9.19 The net cost of services decreased by $357.3 million mainly attributable to the valuation of the nuclear waste management and decommissioning provisions. In 2021–22 there were gains of approximately $212.3 million attributable to the remeasurement of these provisions (decrease in provisions), compared to losses of approximately $117.7 million in 2020–21 (increase in provisions). The changes in valuation are due mainly to the impact of economic assumptions, such as long term discount rates, to which the calculation of the provisions are particularly sensitive (refer to paragraph 4.9.21).

4.9.20 The change in total other comprehensive income is due to the impact of a full revaluation in non-financial assets which was undertaken in 2020–21. The result was to record a fair valuation increment in land, buildings, plant and equipment of $116.9 million. The fair valuation is undertaken periodically in accordance with ANSTO's valuation policy and the relevant accounting standards. Following an internal review undertaken by ANSTO during 2021–22 which did not identify any changes in considerations applicable to fair value of ANSTO's non-financial assets, no full revaluation was undertaken.

4.9.21 The decrease in total liabilities of $206.4 million mainly represents the changes in the value of the long term nuclear waste management and decommissioning provisions which were remeasured during 2021–22. The total value of these provisions ($687.5 million) represents the estimated value of:

- $547.7 million of decommissioning costs, representing the discounted present value of the expected costs to decommission ANSTO's property, plant, equipment and infrastructure involved in nuclear processes. ANSTO estimate that the provision will be settled over the next 56 years; and
- $139.7 million related to the discounted present value of the future cost of the management of accumulated waste arising from nuclear operations. ANSTO estimate that the provision will be settled over the next 15 years.

4.9.22 The decrease in the balance of these provisions of $184.5 million mainly reflects the impact of economic assumptions applied in the calculation, particularly the changes in the value of the discount rate applicable in the calculation, which increased in line with Australian Government bond rates. An increase in the discount rate applied has the impact of decreasing the present value of liabilities. These provisions are assessed by internal and external experts annually for financial reporting purposes, including a revision to nominal costs and other financing factors. Whilst the present value of the provision has decreased during the period due to the discount rate, the nominal cost of the activities was estimated to have increased by $42.0 million due to updated price and volume assumptions.

Key areas of financial risk

4.9.23 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ANSTO's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.7.

Table 4.9.7: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Decommissioning provision $547.7 million Nuclear waste management provision $139.7 million	Valuation of the decommissioning and nuclear waste management provision	**Higher**	• complexity of the calculation and reliance upon the exercise of significant judgement relating to the decommissioning of unique assets and material; and • liability settled over a long period, as a result the provision calculation is sensitive to small changes in factors in the calculation such as discount rates, price indexes and inflation assumptions.
Property, plant and equipment $1.2 billion Intangible assets $76.5 million depreciation and amortisation $94.3 million	Valuation and subsequent depreciation of non-financial assets	**Moderate**	• valuation of non-financial assets is subjective and requires significant judgement particularly given the unique nature of assets held; and • judgement in determining value of the Molybdenum 99 (Mo-99) facility, considering the nature of the operating environment for the sale of Mo-99, cash flow forecasts and assumptions related to

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
			global demand for nuclear medicine products.
Financial statements disclosure	Cash flow and going concern	**Moderate**	• cash flow issues were identified in the ANSTO Nuclear Medicine Pty Ltd subsidiary casting doubt on the ability of this entity to continue as a going concern with reliance on ANSTO to provide financial support.

Source: ANAO 2021–22 audit results, and ANSTO's audited financial statements for the year ended 30 June 2022.

Audit results

4.9.24 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.9.8: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	3	–	2	1
Total	**3**	**–**	**2**	**1**

Source: ANAO 2021–22 audit results.

4.9.25 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that ANSTO's 2021–22 financial statements were not materially misstated.

Resolved moderate audit findings

Formal documented approval process for granting privileged user access

4.9.26 Maintaining and supporting IT systems requires some user accounts, both at the network and application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others.

4.9.27 During the 2020–21 audit the ANAO identified that privileged user access was granted to the financial management information system (FMIS) for one user with no approved access forms indicating the required business needs and dates for the privileged access. Further, no audit logs were retained to demonstrate and retrospectively review or monitor the activities performed by the privileged user.

4.9.28 During 2021–22 ANSTO developed additional processes and controls to provision privileged user access to the FMIS through temporary and end dated accounts only where the business need arises. The ANAO has tested the design and operating effectiveness of this process and confirmed it addresses the risks identified in the 2020–21 audit. As a result of the actions taken by ANSTO during 2021–22 this finding is now considered to be resolved.

IT Security, change management and computer operations documentation

4.9.29 During the 2019–20 audit the ANAO reported a minor audit finding to ANSTO management regarding a number of outdated documents supporting IT security, change management and computer operations documentation. During the 2020–21 audit, the ANAO upgraded the audit finding to a moderate risk rating on the basis of further IT policy and procedure documents required review or updates.

4.9.30 During 2021–22 ANSTO management reviewed and/or updated a substantial number of these policy and procedure documents. As a result the finding was downgraded to a minor audit finding with some residual actions required during 2022–23.

Unresolved moderate audit finding

Terminated users and audit logging

4.9.31 During the 2020–21 audit the ANAO identified weaknesses in ANSTO's controls relating to terminated users being removed. One employee's user account was accessed after the termination date. The ANAO identified a further instance of an employee logging on post termination date during the 2021–22 audit.

4.9.32 In response to this finding being identified in 2020–21 ANSTO management implemented a cessation process to track deactivation cases, particularly around year-end shut down or other periods of extended leave. The process continued to mature during 2021–22 but is not yet fully effective. ANSTO has advised that it continues to reinforce to line managers that system and cessation requests should be completed on a timely basis before an employee leaves ANSTO.

4.9.33 The ANAO will confirm the implementation and effective operation of the user termination process as part of the 2022–23 financial statements audit.

Australian Nuclear Science and Technology Organisation Nuclear Medicine Pty Ltd

4.9.34 ANSTO Nuclear Medicine Pty Ltd (ANM) is a subsidiary of the Australian Nuclear Science and Technology Organisation (ANSTO). ANM was established to own and operate the Molybdenum 99 (Mo-99) production facility at ANSTO's Lucas Heights campus.

Audit results

4.9.35 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Emphasis of Matter

4.9.36 The auditor's report for ANM's 2021–22 financial statements included an emphasis of matter paragraph to draw the attention of users to the notes of the financial statements which indicate that a material uncertainty exists that may cast significant doubt on ANM's ability to continue as a going concern.

Clean Energy Finance Corporation

4.9.37 The Clean Energy Finance Corporation (CEFC) is a corporate Commonwealth entity established under the *Clean Energy Finance Corporation Act 2012*. The CEFC is responsible for the facilitation of increased flows of finance into the clean energy sector. The CEFC's role is to invest with commercial rigour in a diversified portfolio across the spectrum of clean energy technologies, that are solely or mainly Australian based – either directly or indirectly through industry and the banking sector that, in aggregate, have an acceptable but not excessive level of risk relative to the sector.

4.9.38 The CEFC seeks to mobilise capital investment in renewable energy, low-emissions technologies and energy efficiency in Australia through commercial loans, concessional loans, equity investments and loan guarantees.

4.9.39 The CEFC is required to liaise with relevant persons and bodies, including the Australian Renewable Energy Agency, the Clean Energy Regulator, other Australian Government entities and state and territory governments, for the purposes of facilitating its investment function.

Summary of financial performance

4.9.40 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by CEFC (as outlined in Table 4.9.9) and includes commentary regarding significant movements between years.

Table 4.9.9: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	187.1	143.9
Revenue from government	7.1	4.3
Shares in associates and joint ventures	(4.7)	(3.7)
Surplus/(deficit) attributable to the Australian Government	189.5	144.5
Total other comprehensive income/(loss)	12.4	5.5
Total comprehensive income/(loss) attributable to the Australian Government	201.9	150.0
Total assets	6,502.4	5,696.4
Total liabilities	78.6	74.5
Total equity	6,423.8	5,621.9

Source: CEFC's audited financial statements for the year ended 30 June 2022.

4.9.41 The increase in the net contribution by services and surplus attributable to the Australian Government is mainly as a result of:

- an increase of $28.2 million in net gains on the fair value of financial instruments due to improvements in the value of investments, particularly equities and unit trusts resulting from changes in industry specific economic factors and investment performance;
- additional distributions of $34.8 million received from equities and unit trusts; and
- lower concessional interest discounts and loan modification charges arising from a change in the terms and mix of loans written in during 2021–22.

4.9.42 These items were partially offset by a $36.2 million increase in expenses relating to the charge for impairment loss allowance on financial instruments. The increase is due mainly to the recognition of specific provisions for loans considered to be impaired due to an assessment of the underlying counter-party capacity to repay amounts owing.

4.9.43 Revenue from government increased due to funding received for the establishment of the 'Low Emissions Technology Commercialisation' fund. The shares in associates and joint ventures fluctuate from year to year as a result of movements in the underlying net assets of the associates.

4.9.44 The increase in total assets of $806.0 million is primarily due to growth in the:

- total balance of loans and advances issued of $410.5 million, reflecting the net impact of new loans advanced and repayments during the period;
- value of investments in equities and unit trusts of $600.2 million, due to additional investments made and cumulative impact of fair value increases (refer to paragraph 4.9.41); and
- value of equity accounted investments in associates of $180.0 million due to the impact of additional investments during the period.

4.9.45 These increases were offset by a reduction in the value of other debt securities of $175.0 million arising from sales of securities and increases in interest rates resulting in mark to market fair value losses on discounting of securities at balance date.

Key areas of financial risk

4.9.46 The ANAO completed appropriate audit procedures on all material items. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.10.

Table 4.9.10: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Loan and interest fee revenue $170.7 million	Revenue recognition	**Higher**	• calculation of revenue from a diverse set of financial assets, some of which are complex in nature and some of which are concessional; and • amounts received for establishment and other fees may be in a form other than cash (for example, shares), raising valuation issues.
Loans and advances $3.3 billion other debt securities $891.7 million impairment allowance $165.9 million	Accounting for complex finance agreements including the adequacy of impairment provisions and concessional loan adjustments	**Higher**	• complex lending scenarios to entities undertaking new or emerging technologies in the clean energy sector where a mature track record of results is still to be established and where access to other finance has been challenging; • complicated agreements with borrowers impacting on fair value assessment, loan modification and concessional loan accounting calculations;

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
provision for concessional investments $11.9 million			• obtaining relevant benchmark information for related market data from which concessional loan charges are determined requires significant judgement; and • complexity of impairment assessments in relation to forecast future cash flows, security valuation and relevant discount factors, given the nature of the borrowers and their underlying business.
Equities and units in trusts $1.4 billion Distributions from trusts and equity investments $56.4 million Net fair value gain on equities and trusts carried at FVPTL $146.5 million	Valuation of unlisted equity investments	**Moderate**	• complexity in determining the appropriate accounting treatment due to nature of the underlying ownership and/or terms of investments made; and • the size of the investments and the inherent subjectivity and significant judgements and estimates required where market data is not available to determine the fair value of these investments. This can include discounted cash flow valuation models, benchmarking or net assets method and reliance on valuation experts.
Equity accounted investments $438.0 million	Accounting for investments in associates	**Moderate**	• complexity in determining the appropriate accounting treatment due to nature of the underlying ownership and/or terms of investments made in each associate and determining the percentage of ownership held by CEFC; and • reliance on each associate to provide appropriate and reliable supporting information from each associate to verify ownership arrangements and to calculate investment value and performance at balance date.

Source: ANAO 2021–22 audit results, and CEFC's audited financial statements for the year ended 30 June 2022.

Audit results

4.9.47 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Commonwealth Scientific and Industrial Research Organisation

4.9.48 The Commonwealth Scientific and Industrial Research Organisation (CSIRO), as set out in the *Science and Industry Research Act 1949*, are to carry out scientific research and facilitate the application or utilisation of the results of such research. CSIRO is responsible for delivering science and innovative solutions for industry, society and the environment.

Summary of financial performance

4.9.49 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by CSIRO (as outlined in Table 4.9.11) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.9.11: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(668.6)	(774.7)
Revenue from government	949.0	960.5
Surplus/(deficit)	280.4	185.8
Total other comprehensive income	22.8	49.4
Total comprehensive income/(loss)	303.2	235.2
Total assets	3,819.5	3,361.1
Total liabilities	703.7	664.3
Total equity	3,115.8	2,696.8

Source: CSIRO's audited financial statements for the year ended 30 June 2022.

4.9.50 The decrease in the net cost of services was primarily related to an increase of revenue from contracts of $39.4 million and gains from the valuation of the Innovation Funds and other unlisted equity investments of $71.6 million compared to the prior year.

4.9.51 The movement in assets was mainly due to an increase in cash and cash equivalents of $144.0 million as a result of the increase in receipts from sales and research agreements. Other investments increased by $318.9 mainly due to the carrying amount of the Innovation Funds investments of $282.7 million flowing from the fund performance and continued investment by CSIRO in key early-stage companies.

Key areas of financial risk

4.9.52 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of CSIRO's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.12.

Table 4.9.12: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Revenue from contracts with customers $471.5 million	Completeness and accuracy of research and associated measurement of	**Higher**	• revenue is recorded with reference to contracted milestones or elapsed time for research projects; and • significant judgement is required to determine the appropriate revenue

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Trade and other receivables – contract assets $22.0 million Suppliers – contract liabilities $245.2 million	work-in-progress and unearned revenue		recognition method in accordance with Australian Accounting Standards for CSIRO's many contracts, revenue streams and the variety of sources and funding models.
Unlisted companies (a component of other investments) $92.5 million	Valuation and disclosure of unlisted companies	**Higher**	• fair value of early-stage entities requires significant estimation and judgement as by its nature the entities are not publicly listed and require alternate valuation techniques; and • CSIRO applies the International Private Equity Valuation and Venture Capital (IPEV) guidelines to value these entities in accordance with AASB 13 *Fair Value Measurement*. •
Land and buildings $1,581.4 million Plant and equipment $563.5 million Investment properties $50.7 million	Valuation of land and buildings, investment properties, and plant and equipment	**Moderate**	• investment property and plant and equipment valuations require estimates and judgements and are supported by external experts due to the following complexities: • determination of the most appropriate valuation technique; • adjustment to market evidence to account for the specialised or restricted nature of use for some property assets; and • identifying the principal market and assessing the applicability of recent market transactions and ensuring the appropriate selection of observable inputs (where applicable) to support the valuation.
Provision for remediation $65.4 million	Valuation of the provision for remediation	**Moderate**	• inherent uncertainty associated with remediation works to be undertaken on waste material; and • significant judgement required in the selection of the valuation model assumptions.

Source: ANAO 2021–22 audit results, and CSIRO's audited financial statements for the year ended 30 June 2022.

Audit results

4.9.53 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Geoscience Australia

4.9.54 Geoscience Australia delivers information and advice on Australia's geology and geography to support faster and smarter decision-making. Geoscience Australia develops applications and solutions in response to Australia's challenges by bringing together observations, data and knowledge from across geoscience disciplines.

Summary of financial performance

4.9.55 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Geoscience Australia (as outlined in Table 4.9.13) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.9.13: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(209.9)	(182.1)
Revenue from government	260.1	171.2
Surplus/(deficit) attributable to the Australian Government	50.2	(10.8)
Total other comprehensive income/(loss)	4.2	0.3
Total comprehensive income/(loss) attributable to the Australian Government	54.3	(10.5)
Total assets	490.3	445.1
Total liabilities	358.4	381.6
Total equity	131.8	63.5

Source: Geoscience Australia's audited financial statements for the year ended 30 June 2022.

4.9.56 Revenue from government increased as a result of the additional funding for the Satellite-Based Augmentation System program and phase two of the Exploring for the Future program. Delays in implementation of the Satellite-Based Augmentation System program meant that expenditure was delayed and resulted in an increased surplus for the year.

Key areas of financial risk

4.9.57 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Geoscience Australia's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.14.

Table 4.9.14: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Heritage and cultural assets $7.3 million Plant and equipment $51.8 million	Valuation of collections/plant and equipment	**Moderate**	• valuation of non-financial assets requires judgement and expertise to assess the value of items in the collection due to the unique nature of the collection assets.
Unearned income from contracts with customers $27.4 million	Deferred revenue and related income	**Moderate**	• recognition of revenue related to long-term contracts and the relevant deferred revenue balances at 30 June 2022 is a relatively complex process and requires judgement due to the nature of the contracts.

Source: ANAO 2021–22 audit results, and Geoscience Australia's audited financial statements for the year ended 30 June 2022.

Audit results

4.9.58 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Snowy Hydro Limited

4.9.59 Snowy Hydro Limited (Snowy Hydro) is a government business enterprise whose primary business includes energy generation activities to supply the National Electricity Market and operating as a retail energy provider to over one million customers through the Red Energy and Lumo Energy brands. Snowy Hydro's energy generation capacity of 5,500 megawatts supplies New South Wales, Victoria and South Australia, primarily through the generating capacity of the Snowy Mountains hydroelectric scheme.

4.9.60 Snowy Hydro is currently progressing Snowy 2.0, a pumped hydro project that will add 2,000 megawatts of on-demand generation and approximately 350,000 megawatt hours of large-scale storage to the National Electricity Market (NEM). In 2021–22 Snowy Hydro commenced construction of a 660 megawatt open cycle gas turbine power station at Kurri Kurri, New South Wales, known as the Hunter Power Project. The project obtained approval from the NSW Government in December 2021 and environmental approval from the Australian Government in February 2022.

Summary of financial performance

4.9.61 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Snowy Hydro (as outlined in Table 4.9.15) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.9.15: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(3,256.9)	(2,312.4)
Total revenue	3,677.5	2,690.0
Income tax expense	(125.8)	(112.5)
Profit for the period	294.8	265.1
Other comprehensive income	319.7	84.9
Total other comprehensive income attributable to the Australian Government	614.5	350.0
Total assets	8,953.8	5,927.2
Total liabilities	5,078.9	3,405.2
Total equity	3,874.9	2,522.0

Source: Snowy Hydro's audited financial report for the year ended 30 June 2022.

4.9.62 Total revenue increased by $987.5 million due mainly to:

- higher wholesale spot trading prices received by Snowy Hydro for electricity sold into the NEM;
- new consumer and industrial sector customers for which Snowy Hydro had contracts to sell electricity through the Red Energy brand; and
- net gain on the fair value of financial instruments of $155.0 million, particularly due to changes in the underlying assumptions applied in the valuation of energy derivatives (refer to paragraph 4.9.65).

4.9.63 Total other comprehensive income increased due to the impact of fluctuating market changes on exchange and interest rate hedges recorded through other comprehensive income. Compared with the previous period, the overall position for derivative accounted interest rate swaps held by Snowy Hydro (to hedge risks associated with Snowy Hydro's loan facilities) has moved from a net liability to a net asset position. This movement is due to the increase in the forward interest rate market curve.

4.9.64 The increase in total expenses of $944.5 million is largely due to the higher direct costs of supply of electricity to the NEM and sales to customers through the Lumo and Red Energy brands (refer to paragraph 4.9.62).

4.9.65 The increase in total assets of $3,026.6 million is primarily due to:

- $1,446.7 million in assets under construction capitalised during the period. These capitalised costs predominantly related to the construction of the Snowy 2.0 and Hunter Power projects;
- an increase of $1,826.6 million in the fair value of certain financial instruments – mainly energy derivatives. The increase reflects changes in forecast future electricity prices and other economic factors which are key assumptions in underlying the valuation model for these instruments. The valuation of each instrument is undertaken using inputs relevant to the underlying term and nature of the contract; and

- an increase in trade and other receivables as a result of higher revenue recorded during 2021–22.

4.9.66 The increase in total liabilities of $1,673.7 million is due primarily to:

- drawdown of a further $488.0 million from loan facilities used to partly fund construction of Snowy 2.0 and the Hunter Power projects; and
- an increase in the liability position of certain financial instruments, mainly relating to energy derivatives. As noted in paragraph 4.9.65 financial instruments are valued using inputs relevant to the nature of the contract. The increase in the liability of $740.7 million is due mainly to changes in key inputs for certain option contracts due for settlement in 2022–23.

Key areas of financial risk

4.9.67 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Snowy Hydro's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.9.16.

Table 4.9.16: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Other financial assets $1,427.1 million Other financial liabilities $1,276.0 million Increase in the fair value of financial instruments $155.0 million Increase in other comprehensive income $317.3 million	Valuation of financial instruments KAM	**Higher**	• increased level of management judgement required to determine fair value of derivative contracts which are underpinned by complex data models to calculate financial instruments values; • valuation process requires the use of observable and unobservable inputs to calculate fair value. The nature and uniqueness of some energy market derivatives recognised by Snowy Hydro requires an increased level of judgement to determine unobservable valuation model inputs; and • the valuation of financial instruments is sensitive to inputs such as electricity prices, electricity supply volumes and market data such as interest and exchange rates.
Property, plant and equipment (a component of $3,358.3 million construction in progress)	Capitalisation of work in progress for Snowy 2.0 KAM	**Higher**	• Snowy 2.0 is a complex infrastructure project delivered over a number of financial periods; and • judgement applied by Snowy Hydro in determining which costs associated with project establishment and delivery, meet the relevant technical requirements for capitalisation.
Trade receivables $701.4 million	Completeness and accuracy	**Higher**	• level of judgement applied by management in determining the estimate of expected lifetime

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
(includes unbilled receivable of $265.9 million) Allowance for doubtful debt $64.7 million	of the impairment of retail debtors KAM		credit loss on trade and other receivables. Management is required to consider the economic impact of external events in making these judgements which increased estimation uncertainty.
Environmental certificate assets $92.0 million	Valuation of renewable energy certificates	**Moderate**	• increased level of judgement applied by Snowy Hydro in determining the appropriate accounting treatment for renewable energy certificates and the valuation at balance dates.
Unbilled revenue receivable $265.9 million	Valuation and existence of unbilled retail revenue	**Moderate**	• estimation required due to services provided not yet billed arising from timing of electricity meter reads for customers and the date of preparing the financial statements; and • estimation process involves increased management judgement underpinned by a complex data model with a number of inputs, significant number of customers and data sources.
Capitalised customer acquisition costs $71.6 million amortisation $35.0 million	Valuation of customer acquisition costs	**Moderate**	• level of management judgement applied in determining which costs outlaid to acquire retail customers meet relevant technical requirements for capitalisation; and • complexity of estimation process and judgement applied to determine an appropriate amortisation rate reflective of the expected time a customer will continue to procure services from Snowy Hydro.
Intangible assets – goodwill $383.2 million	Valuation and impairment of non-financial assets	**Moderate**	• the impairment estimation process is complex and judgemental due to the nature of the impairment model which requires assumptions to be made related to future cash flows and discount rates.
Property, plant and equipment (a component of $3,358.3 million construction in progress)	Capitalisation of work in progress for the Hunter Power project	**Moderate**	• judgement applied by Snowy Hydro in determining which costs associated with project establishment and delivery, meet the relevant technical requirements for capitalisation.
Bank loans $2,665.0 million (component of Interest bearing liabilities)	Debt facility and covenant compliance	**Moderate**	• Snowy Hydro is accessing a mix of private debt funding and equity injections from the Australian Government to fund the construction and delivery of the Snowy 2.0 and the Hunter Power projects.

Source: ANAO 2021–22 audit results, and Snowy Hydro's audited financial report for the year ended 30 June 2022.

Audit results

4.9.68 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Comments on non-material entities

Clean Energy Regulator

4.9.69 The Clean Energy Regulator (CER) is established by the Clean Energy Regulator Act 2011. The CER is responsible for the administration of market based mechanisms that incentivise reduction in greenhouse gas emissions and the promotion of additional renewable electricity generation. In achieving these objectives the CER is responsible for the administration of the Emissions Reduction Fund and the programs and regulation supporting the Renewable Energy Target.

Audit results

4.9.70 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.9.17: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.9.71 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that CER's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Privileged and other user access

4.9.72 Maintaining and supporting IT systems requires some user accounts, both at the network and the application level, to have extensive access rights (privileged access). Privileged user accounts can be used to circumvent security controls to make direct changes, either to system settings or systems data, or to access files and accounts used by others. During the 2021–22 audit the ANAO identified that there were weaknesses in the design and operating effectiveness of controls supporting privileged and other user access for systems that support the administration of the Emissions Reduction Fund and Renewable Energy Target.

4.9.73 The ANAO identified that there were limited policies, procedures or risk assessments that specified the extent to which activities of privileged users should be monitored across the impacted systems. Further, where CER had a specific policy to undertake monitoring of privileged user and other user access that these had not been performed. Weaknesses in security access controls, including monitoring of privileged user activities, may increase business risk and compromise the integrity of financial data and transactions. The ANAO recommended that CER undertake a review of all privileged user access logs and undertake a risk assessment informing policies and procedures which would regularise these reviews.

4.9.74 Following the identification of these weaknesses CER completed a review of all outstanding user activity reports and privileged user logs to provide assurance over the appropriateness of privileged user activities prior to the finalisation of 2021–22 financial statements and audit. The ANAO will confirm the implementation and effective operation of the risk assessment and regularised process for monitoring privileged user access as part of the 2022–23 financial statements audit.

4.10 Infrastructure, Transport, Regional Development and Communications portfolio

Portfolio overview

4.10.1 The Infrastructure, Transport, Regional Development and Communications portfolio covers a number of policy areas including safety across the civil aviation, maritime and transport sectors; air navigation services; developing and administering the national capital; road, rail and freight transport systems; communication services; digital technologies; and public access to the arts and culture. Table 4.10.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.10.1: Infrastructure, Transport, Regional Development and Communications portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of Infrastructure, Transport, Regional Development and Communications	**Yes**	Moderate	✓	20 Sept 22	23 Sept 22	◆
Airservices Australia	**Yes**	Moderate	✓	23 Sept 22	27 Sept 22	Nil
Australian Broadcasting Corporation	**Yes**	Moderate	✓	24 Aug 22	24 Aug 22	Nil
Australian Communications and Media Authority	**Yes**	Low	✓	9 Sept 22	9 Sept 22	Nil
Australian Postal Corporation	**Yes**	Moderate	✓	25 Aug 22	25 Aug 22	Nil
Australian Rail Track Corporation Limited	**Yes**	High	✓	20 Sept 22	21 Sept 22	Nil
National Intermodal Corporation Limited	**Yes**	High	✓	29 Aug 22	29 Aug 22	Nil
National Capital Authority	**Yes**	Low	✓	29 Aug 22	30 Aug 22	Nil
National Gallery of Australia	**Yes**	Moderate	✓	17 Aug 22	17 Aug 22	Nil
National Library of Australia	**Yes**	Low	✓	15 Aug 22	15 Aug 22	Nil
NBN Co Limited	**Yes**	High	✓	4 Aug 22	4 Aug 22	Nil
WSA Co Limited	**Yes**	Moderate	✓	19 Aug 22	22 Aug 22	Nil

✓: auditor's report not modified

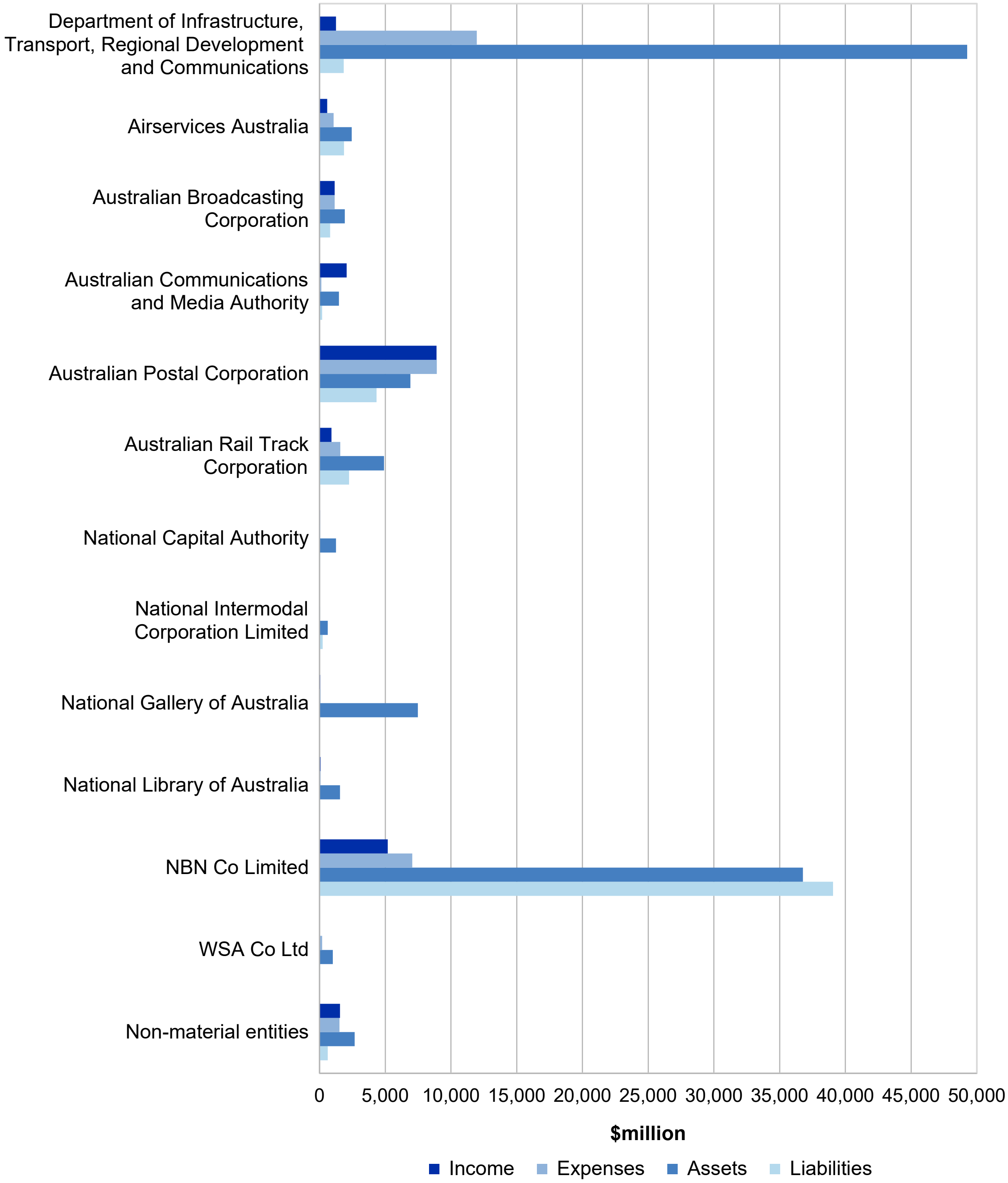
◆: new significant or moderate issues and/or legislative matters noted

4.10.2 The Department of Infrastructure, Transport, Regional Development and Communications is the lead entity in the portfolio and supports the Australian Government’s policies on cities, regions and connecting Australians; and also supports an environment in which all Australians can access and benefit from communication services, creative experiences and culture.

4.10.3 In addition to the department, there are 29 entities within the portfolio with responsibility for matters such as: maritime, transport and civil aviation safety; infrastructure planning and delivery, including development of the Western Sydney Airport, national broadband network infrastructure and Inland Rail project; postal services; public broadcasting; access to cultural activities and the arts; and strategic planning for the national capital.

4.10.4 Figure 4.10.1 shows the Infrastructure, Transport, Regional Development and Communications portfolio’s income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.10.1: Infrastructure, Transport, Regional Development and Communications portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.10.5 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.10.2 provides a summary of those audit differences that relate to entities within the Infrastructure, Transport, Regional Development and Communications portfolio.

Table 4.10.2: The number of audit differences for entities in the Infrastructure, Transport, Regional Development and Communications portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Infrastructure, Regional Development and Communications	1	–	1	–	–	–
Australian Broadcasting Corporation	1	–	1	–	–	–
Australian Communications and Media Authority	–	–	–	–	2	2
Australian Film and Television Radio School	–	–	–	–	1	1
Australian Maritime Safety Authority	1[a]	–	1	–	–	–
Australian National Maritime Museum	1	1	2	1	–	1
Australian Postal Corporation	–	–	–	1	–	1
Australian Transport Safety Bureau	–	–	–	1	–	1
Bundanon Trust	–	–	–	–	2	2
Creative Partnerships Australia Limited	2	1	3	–	–	–
National Capital Authority	1	–	1	–	–	–
National Film and Sound Archive of Australia	–	1	1	1	–	1
National Gallery of Australia	–	–	–	1	1	2
National Library of Australia	–	1	1	–	1	1
National Museum of Australia	1	–	1	–	2	2
National Portrait Gallery of Australia	1	2	3	1	2	3
National Transport Commission	–	2	2	2	–	2
North Queensland Water Infrastructure Authority	1	–	1	–	–	–
Northern Australia Infrastructure Facility	1	–	1	–	–	–

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
WSA Co Ltd	–	2	2	–	–	–

'–': financial statements not signed as at 2 December 2022

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Source: ANAO analysis of audit differences reported to entities in the Infrastructure portfolio.

4.10.6 The following section provides a summary of the 2021–22 financial statements audit results for the Department of Infrastructure, Transport, Regional Development and Communications, and findings for other material entities and non-material entities in the portfolio.

Department of Infrastructure, Transport, Regional Development and Communications

4.10.7 The Department of Infrastructure, Transport, Regional Development and Communications (Infrastructure) is responsible for improving infrastructure across Australia through funding coordination of transport and other infrastructure; providing an efficient, sustainable, competitive and safe transport system for all transport users; strengthening the sustainability, capacity and diversity of regional economies; providing advice on population policy implementing the national policy on cities; and promoting an innovative and competitive communications sector. The department also promotes participation in and access to Australia's arts and culture through developing and supporting cultural expression and supports governance arrangements in the Australian territories.

4.10.8 In addition to these ongoing responsibilities the department continues to deliver economic stimulus to the aviation and creative arts sectors and to regional Australian communities as a result of the COVID-19 pandemic during 2021–22.

Summary of financial performance

4.10.9 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Infrastructure (as outlined in Table 4.10.3 and Table 4.10.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(409.1)	(360.4)
Revenue from government	414.3	366.8
Surplus/(deficit) attributable to the Australian Government	5.2	6.4
Total other comprehensive income/(loss)	4.6	–
Total comprehensive income/(loss) attributable to the Australian Government	9.8	6.4
Total assets	419.5	404.1
Total liabilities	210.8	226.2

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total equity	208.7	177.9

Source: Infrastructure's audited financial statements for the year ended 30 June 2022.

4.10.10 The $48.7 million increase in net cost of service is mainly related to increase in staffing level and two pay rises.

Table 4.10.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(11,534.5)	(10,830.7)
Total income	854.8	1,218.5
Surplus/ (deficit)	(10,679.7)	(9,612.2)
Total other comprehensive income/(loss)	1,451.8	2,731.5
Total comprehensive income/(loss)	(9,227.9)	(6,880.7)
Total assets administered on behalf of Government	48,847.0	52,362.4
Total liabilities administered on behalf of Government	1,621.3	976.0
Net assets	(47,225.7)	51,386.4

Source: Infrastructure's audited financial statements for the year ended 30 June 2022.

4.10.11 Total expenses increased by $703.8 million largely due to a $1,140 million increase in grants expenses, mainly associated with the government decision to provide greater support to local governments and to provide NBN with funds to upgrade the fixed wireless and satellite network. This was partially offset by a $627 million decrease in subsidies payments as support to aviation industry through the COVID-19 pandemic.

4.10.12 Total assets decreased by $3,515.3 million mainly due to the impact of reduction in the balance of loans and advances and the sale of land offset by increases in the value of investments in portfolio entities and companies administered on behalf of the Australian Government, as follows:

- during 2021–22 NBN Co repaid $6,825.00 million of principal of the loan facility administered by Infrastructure. At 30 June 2022 the outstanding principal to be repaid no later than 30 June 2024 is $6,375.0 million;
- Northern Australia Infrastructure Facility (NAIF) transferred from the Department of Industry, Science, Energy and Resources in July 2021, increasing assets at 30 June 2022 by $604.4 million;
- sale of land at Bringelly to NSW Government ($265.4 million fair value at 30 June 2021, sold for $293.0 million);a $1,700.0 million increase in the value of NBN Co Limited. Infrastructure's investment in NBN Co is recognised using an income-based valuation model that considers discounted future cash flows attributable to the company, which were updated in line with NBN's corporate plan (refer to paragraph 4.10.13);
- $1,527.3 million of equity injections the largest being to Australian Rail Track Corporation ($763.5 million) and Western Sydney Airport ($640.1 million);

- a $815.8 million increase in the value of National Gallery of Australia largely due to a revaluation of the national art collection;
- a $428.0 million decrease in the value of the Australian Postal Corporation due to capital investment required to support changes to delivery network; and
- a $843.8 million decrease in the value of the Australian Rail Track Corporation due to continued challenging market conditions, impact of significant weather events and changes in discount rates.

4.10.13 The valuation of NBN Co Limited is undertaken in accordance with an income-based approach (discounted cash flow methodology) prescribed by AASB 13 Fair Value Measurement. The increase in the fair value of the investment at 30 June 2022 related to updated valuation assumptions impacting future cash flows, including: increased revenue from further investment in fibre to the premise; changes to the discount rate applied in the valuation following an assessment of risk and other market factors that require consideration in determining an appropriate rate; changes to assumptions attributing a value to the carried-forward tax losses and franking credits; and the impact of the modelled period commencement date moving to 1 July 2022, thus no longer including the lower margin 2021–22 cash flow forecasts.

4.10.14 The increase in total liabilities of $645.3 million reflects the impact of:

- the loans commitment provision for Northern Australia Infrastructure Facility (NAIF) transferred from Department of Industry, Science, Energy and Resources in July 2021 ($271.4 million); and
- recognition of a provision for payments to be made under the Regional Broadband Scheme for a full year as compared to six months in the prior year as the Scheme commenced on 1 January 2021 ($393.2 million).

Key areas of financial statements risk

4.10.15 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Infrastructure's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.5.

Table 4.10.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered investments $38.6 billion	Valuation of Investments KAM	**Higher**	• complex discounted cash flow models that require significant judgements in the selection of assumptions and inputs, including estimated future cash flows, weighted average cost of capital, terminal values and discount rates that are based on primarily unobservable data; and • the significance of the balance of administered investments to the financial statements.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered advances and loans $9.2 billion loan interest revenue $464.4 million	Recognition and measurement of loans and advances KAM	**Moderate**	• level of management judgement involved in calculating expected credit losses including the recoverability of the loans at balance date particularly determining whether any deterioration in credit quality of loan recipients has occurred; and • complexity of the valuation and required calculations for loan balances which attract concessional terms, including the level of estimation required to determine the appropriate market rate for the concessional component of new loans.
Administered grants expense $6.8 billion grants payable $145.2 million	Occurrence of Grant expenses	**Moderate**	• complex, significant and diverse range of programs that include a number of different administrative and legislative arrangements and conditions which impact payments; and • level of subjectivity and judgement applied in determining whether a recipient meets eligibility and funding milestone requirements.

Source: ANAO 2021–22 audit results, and Infrastructure's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.16 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.10.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.10.17 In relation to the finding listed below, the ANAO undertook additional audit procedures to gain assurance that Infrastructure's 2021–22 financial statements were not materially misstated.

New moderate audit finding

User Access Removal

4.10.18 Infrastructure did not have sufficient controls in place to identify and investigate in a timely manner access by users post cessation of their employment or contract. Infrastructure has advised that previous access post cessation has been investigated and that no issues were identified. Infrastructure confirmed that processes have been developed to identify and investigate any access by users post cessation in a timely manner and were implemented in late September 2022. The ANAO will review the action taken by Infrastructure as part of the 2022–23 audit.

Airservices Australia

4.10.19 Airservices Australia is responsible for the provision of air navigation services across Australian and oceanic airspace, and the provision of aviation rescue firefighting services at major Australian airports. Supported by a national network of communications, surveillance and navigation facilities and infrastructure, Airservices Australia is funded through domestic charges levied on its customers and borrowings from debt markets

Summary of financial performance

4.10.20 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Airservices (as outlined in Table 4.10.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.7: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	1,089.6	1,023.3
Total income	593.0	1,482.1
Income tax expense	149.0	137.7
Profit/ (loss) after income tax	(347.6)	321.1
Total other comprehensive income/(loss) after tax	78.9	42.2
Total comprehensive income/(loss)	(268.7)	363.4
Total assets	2,450.0	2,686.4
Total liabilities	1,858.1	1,826.1
Total equity	591.9	860.3

Source: Airservices' audited financial statements for the year ended 30 June 2022.

4.10.21 Total income continues to be impacted by the COVID-19 pandemic. Total income in 2020–21 included government grant funding of $1,131.8 million. No additional grant funding was received in the 2021–22 financial year. Airway revenue has increased by $223.8 million in the current year and contributes to 92.9 per cent of total income in 2021–22.

4.10.22 Total expenses increased by $66.3 million, mainly due to an increase in supplier costs by $48.9 million as a result of the relaxation of border restrictions from December 2021. Employee benefits expenses also increased by $35.6 million primarily due to increased travel activity impacting staff requirements, as well as an internal restructure resulting in voluntary redundancies. This was offset by decreases in depreciation expenses by $12.0 million and impairment loss of financial instruments decreasing by $5.8 million.

4.10.23 Total assets decreased primarily due to cash and cash equivalents decreasing by $533.2 million. The $533.2 million related to the third instalment of grant funding received by Airservices on 28 June 2021. This was offset by an increase in assets under construction, deferred tax assets and defined benefit fund assets.

4.10.24 Total liabilities have increased mainly due to an increase in borrowings of $50.5 million and other provisions of $15.0 million. The increase in borrowings relates to additional promissory notes issued during 2021–22. This was offset by a decrease in employee provisions of $37.4 million due to an increase in the discount rate applied in 2021–22.

Key areas of financial risk

4.10.25 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Airservices' financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.8.

Table 4.10.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Various line items and disclosures	Impact of the COVID-19 pandemic	**Higher**	• in response to the pandemic and the impact on the aviation industry, the Australian Government has provided financial assistance for 2019–20 and 2020–21 and Airservices has undertaken a number of steps in response to the new operating environment.
Airways revenue $550.8 million	Completeness and accuracy of airways revenue	**Higher**	• complexity of the flight traffic data captured that is used as the basis for customer billings; and • dependence on multiple integrated IT systems.
Property, plant and equipment $814.9 million Assets under construction $787.3 million intangibles $64.6 million	Management, recognition and valuation of assets under construction, and existing, completed property, plant and equipment and intangibles	**Higher**	• sensitivity of the valuation of completed asset infrastructure which is a material balance for Airservices, to changes in the assumptions used in valuation models including technical obsolescence; and • complexity of capturing of costs related to assets under construction due to the technical nature of assets and the judgements involved in assessing whether costs can be capitalised and the appropriate point of recognition.
Fair value of defined benefit plan assets $725.0 million Present value of the defined benefit obligation $462.1 million	Valuation of defined benefit superannuation obligations	**Moderate**	• complexity associated with the valuation of the defined benefit asset requiring the use of an actuary; and • judgement required in estimating future liabilities and the sensitivities of the fund to economic and demographic assumptions supporting the estimate.
Aviation Rescue and Fire Fighting	Calculation of provisions for legal	**Moderate**	• complexity of the underlying event that gave rise to a potential legal obligation

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Services (ARFFS) decontamination provision $77.8 million	obligations and related contingencies		associated with ARFFS decontamination; and • significant judgement required in valuing the ARFFS decontamination provision and contingent liability.
Other financial assets $10.1 million borrowings $1.1 billion Unused credit facilities $1.4 billion	Management of and accounting for, a range of financial instruments	**Moderate**	• complex nature of financial instruments held by Airservices, including interest rate swaps and forward exchange contracts; and • extensive and complex presentation and disclosure requirements, including foreign currency and interest rate exposures and the fair value of complex financial instruments.

Source: ANAO 2021–22 audit results, and Airservices' audited financial statements for the year ended 30 June 2022.

Audit results

4.10.26 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Broadcasting Corporation

4.10.27 The Australian Broadcasting Corporation (ABC) is responsible for informing and educating, facilitating public debate and fostering the performing arts by providing innovative and comprehensive broadcasting services of a high standard to the nation.

Summary of financial performance

4.10.28 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by the ABC (as outlined in Table 4.10.9) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.9: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	1,141.1	1,114.5
Net cost of services	1,070.0	1,061.2
Revenue from government	1,070.1	1,065.3
Surplus/(deficit) attributable to the Australian Government	0.1	4.1
Total other comprehensive income/(loss)	55.2	(1.7)
Total comprehensive income/(loss) attributable to the Australian Government	55.3	2.3
Total assets	1,921.1	1,944.6

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total liabilities	810.2	889.0
Total equity	1,110.9	1,055.6

Source: ABC's audited financial statements for the year ended 30 June 2022.

4.10.29 The increase in other comprehensive income is due to the revaluation of the ABC's Artarmon New South Wales property prior to reclassification as an asset held for sale.

Key areas of financial risk

4.10.30 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ABC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.10.

Table 4.10.10: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Total ABC owned land and buildings and assets classified as held for sale $712.0 million	Valuation and accuracy of land and buildings and assets held for sale	**Moderate**	• valuations are sensitive to changes in the assumptions used in the valuation models and contain highly specialised components

Source: ANAO 2021–22 audit results, and ABC's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.31 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Review of ABC defamation matter

4.10.32 In 2020–21 the ABC decided that it would meet the legal costs and liability of an ABC journalist in relation to a private defamation case. The decision was based on the receipt of internal legal advice from the ABC's General Counsel.

4.10.33 The ABC advised the ANAO of the factors considered by the ABC prior to making the decision to meet the legal costs and liability of the journalist. The factors included the potential liability of the ABC in respect of the publication of the tweets by the ABC journalist, and whether the ABC could be vicariously liable for the journalist's personal use of social media.

4.10.34 The ANAO received a request to include the ABC's payment for damages and legal costs of the ABC journalist in the audit work program for 2022–23.[115] In response to the letter received, the

115 A copy of the letter and the reply can be found on the ANAO's website at: https://www.anao.gov.au/work/request/abc-defamation-case-payment

ANAO advised that an examination of the facts around the payment of the damages and legal costs would be completed as part of the 2021–22 financial statements audit.[116]

4.10.35 During 2021–22 the total payments made by the ABC in relation to the private defamation case were $222,840.

4.10.36 The ANAO examined the ABC's governance framework for the approval of the decision to meeting the legal costs and liability of the journalist. To the ANAO's knowledge there was no policy, precedent, process or documented advice prepared by the ABC to support the appropriateness of the decision to pay the damages and legal costs of the ABC journalist. The ABC also could not provide a formal instrument that demonstrated the execution of a delegation.

4.10.37 The ANAO tested the payment of the damages and legal costs and confirmed that these payments made were approved by a delegate with the appropriate delegation limit. Management also obtained legal advice to assess the implications of transaction for the purposes of fringe benefits tax (FBT). The advice outlined that the payments were likely to be a benefit that was provided in respect of the journalist's employment and would be subject to FBT. The otherwise deductible rule would likely apply which would reduce the taxable value of the benefit to nil.

4.10.38 The ANAO recommended that the ABC complete a review of its delegations and governance processes and assess whether matters of a similar nature are documented in line with a delegated authority. This review was completed by the ABC during 2022–23 and resulted in the amendment of the ABC's delegation policy to ensure that in future these matters are documented and appropriately approved.

Australian Communications and Media Authority

4.10.39 The Australian Communications and Media Authority (ACMA) is responsible for the regulation of broadcasting, radio communications (spectrum management), telecommunications and online content.

Summary of financial performance

4.10.40 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by ACMA (as outlined in Table 4.10.11 and Table 4.10.12) and includes commentary regarding significant movements between years contributing to overall performance.

116 A copy of the ANAO's reply can be found on the ANAO's website at: https://www.anao.gov.au/work/request/inclusion-the-abc-defamation-case-payment-the-annual-audit-work-program-2022-23

Table 4.10.11: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(117.6)	(111.4)
Revenue from government	121.4	101.0
Surplus/(deficit) attributable to the Australian Government	3.8	(10.4)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	3.8	(10.4)
Total assets	154.8	139.3
Total liabilities	96.4	100.1
Total equity	58.3	39.2

Source: ACMA's audited financial statements for the year ended 30 June 2022.

4.10.41 The increase in the net cost of services primarily relates to additional supplier expenses of $7.4 million, reflecting new budget measures relating to media sector support, a national strategy to prevent and respond to child sexual abuse, and women's safety.

4.10.42 The increase in revenue from government reflects additional funding for the new measures. A portion of the additional funding remains unspent at year end due to recruitment market challenges and supply chain delays, resulting in higher cash and trade and other receivables assets.

Table 4.10.12: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	11.8	13.8
Total income	1,945.5	957.8
Surplus/ (deficit) attributable to the Australian Government	1,933.7	944.0
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	1,933.7	944.0
Total assets administered on behalf of Government	1,327.6	454.3
Total liabilities administered on behalf of Government	98.9	256.6
Net assets	1,228.7	197.7

Source: ACMA's audited financial statements for the year ended 30 June 2022.

4.10.43 The increase in total income in 2021–22 is due to the full year recognition of the Regional Broadband Scheme (RBS) charge and the sale of 26 GHz spectrum access licenses. The RBS commenced 1 January 2021 and the additional income for 2021–22 was $395.2 million. The 26GHz spectrum licenses were recognised as resources received free of charge of $652.5 million in 2021–22 compared to no sale activity in 2020–21.

4.10.44 Total assets are higher in 2021–22 compared to 2020–21 due to an increase of $350.4 million relating to taxation receivables for the full year RBS tax levy charges and an additional $522.5 million lease receivable relating to the sale of 26GHz spectrum licenses and subsequent treatment under AASB 16 *Leases.*

4.10.45 The decrease in total liabilities reflects the recognition of prior year unearned revenue balances relating to radio communication license fees paid up front, in line with industry demand and timing of payments.

Key areas of financial risk

4.10.46 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ACMA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.13.

Table 4.10.13: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered income $1,945.5 million Receivables and accrued revenue $1,327.6 million Payables – unearned income $98.9 million	Recognition and measurement of administered income, receivables and unearned income	**Higher**	• the significance of the balance; and • application of professional judgement is required in determining when to recognise revenue, as spectrum management is technically complex and involves licensing, auctions and trading.

Source: ANAO 2021–22 audit results, and ACMA's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.47 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Postal Corporation

4.10.48 The Australian Postal Corporation (Australia Post) is a government business enterprise responsible for operating post offices and distributing mail and parcels in Australia and internationally.

Summary of financial performance

4.10.49 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Australia Post (as outlined in Table 4.10.14) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.14: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total revenue and income	8,973.9	8,273.7
Total expenses	8,880.8	8,129.1
Profit/(loss) before income tax	55.3	100.7
Income tax benefits/ (expenses)	(5.8)	(31.1)
Net profit/(loss) for the year	49.5	69.6
Total other comprehensive income/(loss)	76.1	261.4
Total comprehensive income for the year	125.6	331.0
Total assets	6,903.1	7,064.9
Total liabilities	4,325.9	4,577.0
Total equity	2,577.2	2,487.9

Source: Australia Post's audited financial statements for the year ended 30 June 2022.

4.10.50 Australia Post reported a $205.4 million decrease in total comprehensive income when compared with 2020–21. This was a result of increases in supplier expenses driven by the significant increase in parcel volumes, increases in delivery network costs and higher unit cost of employee expenses because of labour shortages. The increase in expenses was offset by growth in parcels, express post, eCommerce and global revenue.

4.10.51 The reduction in total liabilities is largely attributed the Group repaying $100 million of unsecured bonds in full. The reduction in total assets was due to the decrease in cash and cash equivalents driven by higher employee and supplier costs incurred from the parcel volume increases.

Key areas of financial risk

4.10.52 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Australia Post's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.15.

Table 4.10.15: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Goods and services income $8.8 billion Unearned postage revenue	Valuation of unearned revenue liability KAM	**Higher**	• judgement is applied by management in estimating the amount of postage products sold which are still unused at balance sheet date; and • complexity in estimating the expected timing and amount of future utilisation of those unused postage products.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
(a component of trade and other payables) $296.4 million			
Intangible assets goodwill *(a component of intangible assets)* $507.6 million	Valuation of goodwill KAM	**Higher**	• the estimation process is complex and involves the exercise of significant judgement in relation to the selection of assumptions such as the discount rate and cash flow forecasts.
Net superannuation asset $950.5 million	Valuation of the net Superannuation asset KAM	**Higher**	• the valuation is sensitive to movements in the long-term assumptions; and judgement is applied by management in relation to the selection of long-term assumptions such as salary growth, discount, and inflation rates.

Source: ANAO 2021–22 audit results, and Australia Post's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.53 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Compliance with Prescribed Performance Standards

4.10.54 Australia Post's purpose is expressed in the *Australian Postal Corporation Act 1989* (the Act) which, among other matters, sets out Australia Post's commercial obligations, community service obligations and general governmental obligations.

4.10.55 Australia Post has Community Service Obligations (CSOs) under the Act. Under the Act, Australia Post must make the letter service available at a uniform rate for standard letters carried by ordinary post within Australia. Australia Post is required to ensure that letter service is reasonably accessible to all Australians on an equitable basis and that its performance standards reasonably meet the social, industrial, and commercial needs of the Australian community.

4.10.56 Australia Post is also subject to prescribed performance standards (made under regulations) relating to the letter service, including standards relating to the frequency, accuracy and speed of delivery, and standards relating to accessibility of services via retail outlets (for example post offices), and via street posting boxes and other mail lodgement points.

4.10.57 The Australian Postal Corporation (Performance Standards) Regulations 2019 prescribe standards required to be met in connection with Australia Post's CSOs. The prescribed performance standards require Australia Post to:

- service 98% of all postal delivery points daily (except on a Saturday, a Sunday or a public holiday) (Regulation 7(1)(a));
- service 99.7% of all postal delivery points at least two days each week (Regulation 7(1)(b));

- deliver at least 94% of reserved services letters to the indicated or appropriate address within the delivery time mentioned for the address according to the prescribed timetable (Regulation 8);
- maintain mail lodgement points in Australia for the lodgement of postal articles (other than bulk mail) at each of its retail outlets and maintain at least 10,000 street posting boxes (Regulation 10); and
- maintain at least 4,000 retail outlets at which Australia Post products and services can be purchased; locate at least 50% of the retail outlets in zones classified as rural or remote, and in any event, not fewer than 2,500 retail outlets; locate a retail outlet in a metropolitan area such that at least 90% of residences are within 2.5 kilometres of a retail outlet; and locate a retail outlet in a non-metropolitan zone such that at least 85% of residences are within 7.5 kilometres of a retail outlet (Regulation 11).

4.10.58 Performance against the Prescribed Performance Standards is subject to independent audit by the Auditor-General.

4.10.59 Australia Post did not meet the performance standards prescribed by Regulations 7 and 8 of the Australian Postal Corporation (Performance Standards) Regulations 2019.

Australian Rail Track Corporation

4.10.60 The Australian Rail Track Corporation (ARTC) is responsible for the development, maintenance, management and delivery of some of Australia's major rail networks, including the national interstate rail network, the Hunter Valley coal rail network, and the construction of the Inland Rail network. In May 2017, the Australian Government announced it would invest substantial equity funding into ARTC for the company to deliver the Inland Rail network. A commitment of further equity funding to deliver the project was announced by the Australian Government in October 2020. Inland Rail is a 1,700 kilometre rail line that will link Brisbane and Melbourne through regional Australia.

Summary of financial performance

4.10.61 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by ARTC and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.16: Key financial statements items

Expenses and own-source income	2021–22 ($m)	2020–21 ($m)
Total expenses	1,574.1	1,595.1
Total revenue and other income	902.1	888.4
Income tax expense/(benefit)	45.6	(29.4)
Profit/(loss) attributable to the Australian Government	(717.7)	(677.3)
Total other comprehensive income/(loss)	(31.3)	(97.0)
Total comprehensive income/(loss) attributable to the Australian Government	(749.0)	(774.3)

Expenses and own-source income	2021–22 ($m)	2020–21 ($m)
Total assets	4,770.8	4,354.6
Total liabilities	2,125.0	1,635.5
Total equity	2,645.8	2,719.1

Source: ARTC's audited financial statements for the year ended 30 June 2022.

4.10.62 The loss incurred in 2021–22 is largely due to the impact of the Inland Rail program which is funded by the Australia Government through equity contributions. ARTC has made a judgement that the income likely to be generated from the Inland Rail line will not offset the significant cost of development of the line and therefore there is a large impairment expense each year. ARTC is expected to continue to have losses into future reporting periods.

Key areas of financial statements risk

4.10.63 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ARTC's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.10.17. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.10.17: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Property, plant and equipment $4.1 billion	Valuation of infrastructure assets	**Higher**	• the fair value of infrastructure assets is estimated using a complex discounted cash flow model; and • the fair value model is subject to high degree of judgement and is sensitive to changes in assumptions, including forecasts of business performance, cash flows in future years and discount rates.
Impairment expenses (Inland Rail) $687.6 million	Recognition and valuation of assets under construction for the Inland Rail network	**Higher**	• judgement and estimation required by ARTC in apportioning capital and operating costs across the whole of term construction of the Inland Rail given the nature of the project, significance of the investment value and expected future returns on investment; and • judgement and estimation applied in determining whether assets for Inland Rail are impaired. ARTC estimate impairment on these assets, using several methods, most significantly a complex discounted cash flow model which incorporates management's judgements on future cash flows, revenue and discount rates.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Access Revenue $744.8 million Trade receivables $55.0 million	Completeness of access revenue	**Higher**	• subject to management estimates and judgement to determine the amount of revenue recognised due to impact of regulatory access undertakings; and • complexity of underlying process for recognition of access revenue from rail operators.
Biodiversity Offset Provision $77.7 million Biodiversity credit intangible asset $35.9 million	Recognition and Valuation	**Higher**	• judgement is involved in estimating the provision in a limited market; and • due to challenges in sourcing biodiversity credits, ARTC had commenced a process of generating its own biodiversity credits and there is limited experience in the sector.
Deferred tax assets (net) $124.0 million Income tax expense $45.6 million	Recognition and measurement of taxation related balances	**Moderate**	• tax liabilities and deferred tax assets (DTAs) arise predominantly from asset revaluations, which are subject to judgement and uncertainty; and • increased judgement applied in recognising the amount of the DTAs that ARTC will be able to utilise to offset future taxation expense.
Deferred income – government grants $1.1 billion Grant Income $58.4 million	Occurrence and classification of grants	**Moderate**	• judgement is involved in determining the appropriate recognition point for grant contributions in accordance with the relevant requirements of the accounting standards and nature of the grant funded assets; and • the nature of some grants from government means that ARTC recognise revenue (in accordance with the accounting standards) over a significant period of the operating life of an asset constructed.

Source: ANAO 2021–22 audit results, and ARTC's audited financial report for the year ended 30 June 2022.

Audit results

4.10.64 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Capital Authority

4.10.65 The National Capital Authority (NCA) is responsible for managing the strategic planning, promotion and enhancement of Canberra as the national capital for all Australians through the development and administration of the National Capital Plan; the operation of the National Capital Exhibition; delivery of education and awareness programs; and works to enhance the character of the national capital.

Summary of financial performance

4.10.66 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by NCA (as outlined in Table 4.10.18 and Table 4.10.19) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.18: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(11.0)	(12.9)
Revenue from government	10.4	10.9
Surplus/(deficit) attributable to the Australian Government	(0.6)	(1.9)
Total other comprehensive income/(loss)	0.1	(0.4)
Total comprehensive income/(loss) attributable to the Australian Government	(0.5)	(2.3)
Total assets	32.5	23.0
Total liabilities	13.2	7.4
Total equity	19.3	15.6

Source: NCA's audited financial statements for the year ended 30 June 2022.

4.10.67 The total comprehensive loss result has improved from last year primarily as a result of more favourable revaluation results on plant and equipment, intangibles and heritage and cultural assets, which saw a revaluation increase in the current year compared to a downwards adjustment in the prior year. This factor also affected total assets which increased from the prior year.

4.10.68 The total comprehensive loss result has improved from last year primarily as a result of more favourable revaluation results on plant and equipment, intangibles and heritage and cultural assets, which saw a revaluation increase of $0.1 million in the current year compared to a downwards adjustment of $0.4m in the prior year. There was also an increase of $1.1 million in fees and fines revenue, with revenue activity returning to normal levels after a reduction in the prior year due to COVID-19 pandemic.

4.10.69 Total assets have increased mainly due to the $6.2 million increase in buildings as a result of construction works and the recognition of a right-of-use asset in relation to NCA's leased office premises.

4.10.70 Total liabilities have increased due to funding received in advance for construction work projects in addition to a lease liability recognised upon entering into a new lease agreement.

Table 4.10.19: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	44.5	41.7
Total income	19.1	22.8
Surplus/ (deficit)	(25.4)	(18.9)
Total other comprehensive income/(loss)	231.4	39.6
Total comprehensive income/(loss)	206.0	20.7
Total assets administered on behalf of Government	1,218.8	1,001.3
Total liabilities administered on behalf of Government	23.5	27.2
Net assets	1,195.3	974.1

Source: NCA's audited financial statements for the year ended 30 June 2022.

4.10.71 Total comprehensive income and total assets have both increased as a result of the revaluation of non-financial assets conducted during the year. Land, buildings, property, plant and equipment and heritage assets are all subject to annual valuations. The valuation increment primarily related to land assets of $25.1 million and property, plant and equipment of $205.1 million.

Key areas of financial risk

4.10.72 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NCA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.20.

Table 4.10.20: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Other payables $20.7 million Non-financial assets $1,217.0 million *Departmental* Revenue from contracts with customers (construction works) $0.9 million Other payables $8.9 million	Classification and valuation of the construction activities relating to NCA's responsibility to develop, further enhance and replace assets on national land.	**Moderate**	• complexities in determining the value of work in progress at balance date as works are often between defined construction milestones and professional judgement is required.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Non-financial assets $1,217.0 million	Valuation of land, buildings and infrastructure located within the National Capital Estate.	**Moderate**	• complexities in determining the fair value of land, buildings, infrastructure and related capital works deemed for the special purposes of Canberra as the national capital.

Source: ANAO 2021–22 audit results, and NCA's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.73 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Gallery of Australia

4.10.74 The National Gallery of Australia (NGA) is responsible for developing and maintaining a national collection of works of art to exhibit or to make available for others to exhibit and making the most advantageous use of the national collection in the national interest.

Summary of financial performance

4.10.75 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by the NGA (as outlined in Table 4.10.21) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.21: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(64.6)	(77.3)
Revenue from government	49.9	49.7
Surplus/(deficit) attributable to the Australian Government	(14.7)	(27.5)
Total other comprehensive income/(loss)	772.7	0.6
Total comprehensive income/(loss) attributable to the Australian Government	757.9	(27.0)
Total assets	7,482.5	6,667.0
Total liabilities	14.0	14.2
Total equity	7,468.6	6,652.8

Source: NGA's audited financial statements for the year ended 30 June 2022.

4.10.76 The decrease in the net cost of services is largely due to a $17.5 million decrease in the write down and impairment of assets compared to the prior year. In 2020–21, assets with a book value of $17.6 million were identified through the Gallery's provenance governance framework as having no future economic benefit and were derecognised and written off.

4.10.77 The increase in total assets is predominantly as a result of a revaluation increment of $772.7 million relating to land, buildings and heritage and cultural assets recognised in 2021–22.

Key areas of financial risk

4.10.78 The ANAO completed appropriate audit procedures on all material items. The ANAO also focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2020–21 are provided in Table 4.10.22. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.10.22: Key financial statements items

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Heritage and cultural assets $6.9 billion	Valuation of items in the heritage and cultural collection	**Higher**	• judgement required in valuing iconic artwork through the use of observable market inputs; and • the complexity of the valuation model applied to the general collection.
Buildings $443.2 million	Valuation of buildings	**Higher**	• judgement required in selecting the assumptions used in determining the fair value including assessing the impact of the building condition and specialised use.

Source: ANAO 2021–22 audit results, and the NGA's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.79 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Intermodal Corporation Limited

4.10.80 The National Intermodal Corporation Limited (National Intermodal) was established to oversee the development and future operation of the Moorebank Logistics Park in Sydney's south-west. Once completed, the Moorebank Logistics Park will have an import and export terminal with a direct link to Port Botany, and also an interstate and regional facility to connect to the national freight rail network. The Moorebank Logistics Park is being developed and operated by the LOGOS Consortium (comprised of Australian Super, NSW TCorp, LOGOS, AXA and Ivanhoe Cambridge) with Qube Holdings Limited operating the rail terminals.

4.10.81 In February 2022, National Intermodal was renamed[117] and the company's mandate was expanded to include the planning, delivery and operation of open access intermodal freight terminals in Melbourne and Brisbane in support of the Australian Government's Inland Rail project with the objective of facilitating the development and operation of a modern and efficient freight network that improves productivity.

117 National Intermodal was initially named the Moorebank Intermodal Company Limited and is the same continuing legal entity.

Summary of financial performance

4.10.82 The following section provides a comparison of the 2020–21 and 2021–22 key financial statements items reported by National Intermodal (as outlined in Table 4.10.23) and includes commentary regarding significant movements between years.

Table 4.10.23: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(39.0)	(56.1)
Total revenue	6.9	13.7
Income tax benefit/ (expense)	(2.0)	3.3
Share of profit / (loss) from equity accounted investments	46.8	51.5
Profit/ (loss) attributable to the Australian Government	12.8	12.4
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) for the year	–	–
Total assets	620.4	554.2
Total liabilities	238.0	232.8
Total equity	382.4	321.4

Source: National Intermodal's audited financial statements for the year ended 30 June 2022.

4.10.83 Total expenses have decreased by $17.1 million. This is mainly due to the impact of accounting for the changes in the provision for land and site costs relating to the Moorebank Logistics Park. National Intermodal recognise this provision in advance of construction being undertaken to reflect the contractual commitments held by National Intermodal for the delivery of the associated land preparation works, upgrades to Moorebank Avenue to support the precinct and voluntary planning contributions. In 2020–21 National Intermodal reviewed the detailed cost estimates and plans for these works and identified the forecast costs (and provisions) had increased for contracted and uncontracted works due to a range of economic and project specific factors. National Intermodal conducted a similar comprehensive review in 2021–22 however assumptions around cost increases were less significant than 2020–21, resulting in a decrease in expenses charged to the provision of $21.3 million.

4.10.84 Total assets have increased by $66.2 million primarily due to:

- the increase in the fair value of the equity accounted investment in the Moorebank Precinct Land Trust of $45.9 million. National Intermodal hold a 65.63% unitholding in the Trust. The Trust holds the land at the Moorebank Logistics Park owned by the Commonwealth and the LOGOS Consortium via 99-year leases. Upon completion of development of the land for warehousing the Trust will sub-let the relevant developed land and receive ground rents. The fair value has been determined applying a discounted cash flow valuation methodology undertaken by the Trust which increased due to changes in estimated cash flows and economic assumptions applied in the valuation; and
- an increase in the cash and cash equivalents balance of $24.1 million as a result of the normal fluctuations in the funding and payments cycle.

Key areas of financial risk

4.10.85 The ANAO completed appropriate audit procedures on all material items. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.24.

Table 4.10.24: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Non-financial liabilities – provisions $216.2 million	Valuation of the land preparation; Moorebank Avenue works and voluntary planning contributions	**Higher**	• judgements and estimates involved in capturing land preparation costs, including assessing the level of work required for the completion of these projects; and • sensitivity of key inputs (particularly cost factors) into the provision calculation and resultant impact on the calculation.
Non-financial assets – equity accounted investments $280.2 million	Recognition and disclosure of the value of National Intermodal's investment in the Precinct Land Trust	**Moderate**	• complexity of the investment structure; and • valuation of National Intermodal's investment in the Precinct Land Trust is subject to judgements and estimates associated with a discounted cash flow methodology, including future cash flows, rates of return and discounting.
Deferred tax assets $74.1 million	Valuation of deferred tax assets	**Moderate**	• the significance of the judgements involved in the assessment of recoverability of deferred tax assets against future forecast profits; and • the significance of the judgements involved in the apportionment of deductible costs for the derivation of the deferred tax asset.
All financial statements items	Going concern and funding – available funding is insufficient to cover remaining project costs	**Moderate**	• judgements involved in the identification of going concern indicators; and • judgements involved in going concern assessments including the impact of any project changes.

Source: ANAO 2021–22 audit results, and National Intermodal's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.86 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Library of Australia

4.10.87 The National Library of Australia (the Library) is responsible for developing and maintaining a national collection of library material, including a comprehensive collection of material relating to Australia and the Australian people, and to make this material available to the public.

Summary of financial performance

4.10.88 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by the Library (as outlined in Table 4.10.25) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.25: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(43.3)	(231.0)
Revenue from government	57.5	58.8
Surplus/(deficit) attributable to the Australian Government	14.1	(172.2)
Total other comprehensive income/(loss)	–	(12.0)
Total comprehensive income/(loss) attributable to the Australian Government	14.1	(184.2)
Total assets	1,561.9	1,537.2
Total liabilities	25.7	24.7
Total equity	1,536.2	1,512.5

Source: The Library's audited financial statements for the year ended 30 June 2022.

4.10.89 The improvement in net cost of services is primarily due to the prior year including a valuation decrease of Heritage and Cultural asset of $165.0 million.

Key areas of financial risk

4.10.90 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of the Library's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.26.

Table 4.10.26: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Heritage and cultural assets $1.1 billion	Valuation of the national collection	**Higher**	• significant judgement and expertise required to assess the value of items in the collection, due to the unique nature of the collection assets and lack of a market of comparable assets.

Source: ANAO 2021–22 audit results, and the Library's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.91 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

NBN Co Limited

4.10.92 The primary objective of NBN Co Limited (NBN Co) is to provide wholesale services to internet service providers. NBN Co is a government business enterprise incorporated under the *Corporations Act 2001*.

Summary of financial performance

4.10.93 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by NBN Co (as outlined in Table 4.10.27) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.27: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total income	5,208.0	4,666.0
Total expenses	7,075.0	8,504.0
Profit/ (loss) before income tax	(1,867.0)	(3,838.0)
Income tax benefit/ (expense)	399.0	1.0
Net Profit/ (loss) for the year	(1,468.0)	(3,837.0)
Total other comprehensive income/(loss)	929.0	(3.0)
Total comprehensive loss for the year	(539.0)	(3,840.0)
Total assets	36,777.0	35,738.0
Total liabilities	39,056.0	37,478.0
Total equity	(2,279.0)	(1,740.0)

Source: NBN Co's audited financial statements for the year ended 30 June 2022.

4.10.94 Total income increased by $542.0 million, primarily driven by higher activations of internet connections during the year, of 8 per cent higher activation over the previous year, and increased adoption of higher speed tiers. Total expenses decreased due to lower migrations costs for subscribers following completion of the initial NBN network.

4.10.95 NBN Co reported total assets of $36.8 billion, an increase of $1.0 billion, primarily due to an increase in the number and valuation of the derivative financial asset portfolio. This was due to increased third-party borrowings and movements in market interest rates and value of the AUD to USD during the financial year.

4.10.96 Total liabilities increased by $1.6 billion due primarily to increased borrowings through private debt and the issuance of medium-term notes. This is offset by a decrease in the government loan from repayments made during the year.

Key areas of financial risk

4.10.97 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NBN Co's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatements. During the year, developments in the business, including those pertaining to external borrowings, required us to update our risk assessment and those areas considered as key audit matters (KAM). Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.10.28, including which areas were considered KAM by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.10.28: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Telecommunications revenue $5.0 billion	Accounting for and reporting telecommunications revenue KAM (accuracy and occurrence of telecommunications revenue)	**Higher**	• complexity of revenue recognition from the ongoing roll-out of the network and the number of IT systems used to record and manage information.
Property, plant and equipment $32.9 billion intangibles $1.8 billion depreciation and amortisation expense $3.5 billion	Accuracy and completeness of depreciation and amortisation KAM	**Higher**	• valuation of non-financial assets, including network assets, is subject to a high degree of judgement and complexity; and • significant judgement and the use of complex manual models in the calculation of depreciation and amortisation.
Derivative financial assets $1.4 billion derivative financial liabilities $0.2 billion	Valuation of derivative financial instruments KAM	**Higher**	• the volume, quantum and complexity of the derivative arrangements entered into; and • the complexity in the fair valuation, accounting due to the assumptions involved.
Network assets (a component of property, plant and equipment) $32.6 billion lease liabilities $11.0 billion	Accounting treatment of rights and obligations under significant contractual arrangements.	**Higher**	• significance and complexity of the lease arrangements. Any changes to the nature of these arrangements could have a material impact on the associated balances.

Source: ANAO 2021–22 audit results, and NBN Co's audited financial statements for the year ended 30 June 2022.

Audit results

4.10.98 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

WSA Co Limited

4.10.99 WSA Co Limited (WSA) was established to construct and operate Western Sydney International (Nancy-Bird Walton) Airport in Badgerys Creek, in south-western Sydney, to the functional specifications by the Australian Government. WSA is a government business enterprise wholly owned by the Australian Government, represented by the Minister for Finance and the Minister for Infrastructure, Transport, Regional Development and Local Government as shareholder ministers.

4.10.100 The Australian Government's original plan was to invest up to $5.3 billion of equity funding into WSA to build the Western Sydney International Airport. This investment covers WSA's work on the earthworks and construction of the airport (runway and terminal infrastructure) in accordance with the conditions of the project deed agreed by the Australian Government and WSA. Bulk earthworks to prepare the airport commenced in early 2020 and approaches completion and construction of the airport terminal and runway commenced during 2021–22. During 2021–22 the Australian Government decided to also fund WSA's development of the aviation fuel farm infrastructure assets, and to support the NSW Government delivery of Sydney Metro – Western Sydney Airport integration.

Summary of financial performance

4.10.101 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by WSA (as outlined in Table 4.10.29) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.10.29: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	206.2	324.1
Total income	5.8	14.6
Income tax benefit	–	–
Income/ (loss) for the year/ period	(200.4)	(309.5)
Total other comprehensive income	–	–
Total comprehensive income/(loss)	(200.4)	(309.5)
Total assets	1 005.1	612.2
Total liabilities	26.1	73.0
Total equity	979.0	539.2

Source: WSA's audited financial report for the year ended 30 June 2022.

4.10.102 Total expenses decreased mainly due to the stage of construction of the airport, which moved from the preparatory to construction phase in 2021–22. During 2021–22 WSA recognised $123.5 million less in expenses consistent with transition of activities at the airport site to the commencement of construction on the airport terminal and runway which are capitalised in accordance with WSA's capitalisation policy.

4.10.103 The total comprehensive loss reflects the nature of funding available to WSA. WSA has entered into an equity subscription agreement with the Commonwealth to fund the development and construction of the airport to meet the Commonwealth's functional specifications. During 2021–22 WSA received $640.1 million of this funding from the Commonwealth. These funds are recorded as share capital and were not recognised in the statement of comprehensive income.

4.10.104 The increase of $392.9 million in total assets mainly relates to the capitalisation of assets under construction in accordance with WSA's capitalisation policy. During 2021–22 significant construction continued at the airport site, particularly relating to the airport terminal and runway, resulting in higher levels of $409.8 million expenditure and capitalisation of work in progress.

4.10.105 The decrease of $46.9 million in total liabilities mainly relates to a trade and other payables. At 30 June 2021, WSA recognised a payable for a contract mobilisation payment to the contractor responsible for the construction of the airport terminal and runway. This payment was associated with the inception of the contract and as a result did not recur in 2021–22.

Key areas of financial risk

4.10.106 The ANAO completed appropriate audit procedures on all material items. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.10.30. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.10.30: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Assets under construction $780.7 million	Recognition of capital work in progress for airport construction activities	**Higher**	• judgement and estimation required by WSA in apportioning capital and operating costs across the whole of term construction of the airport given the nature of the project and method of project delivery; and • quantum of expenditure and attribution of expenditure that will be incurred in the construction of the airport.
Multiple financial statements line items	Procurement policies and processes	**Moderate**	• weakness in procurement and contract management processes can increase the risk of unapproved expenditure or budgeted cost overruns being incurred by WSA.

Source: ANAO 2021–22 audit results, and WSA's audited financial report for the year ended 30 June 2022.

Audit results

4.10.107 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.11 Parliamentary Departments

Portfolio overview

4.11.1 The Parliamentary Departments support the operation of the Parliament of Australia, its committees and members. There are four parliamentary entities: the Department of Parliamentary Services; the Department of the Senate; the Department of the House of Representatives; and the Parliamentary Budget Office. Table 4.11.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.11.1: Department of Parliamentary Services

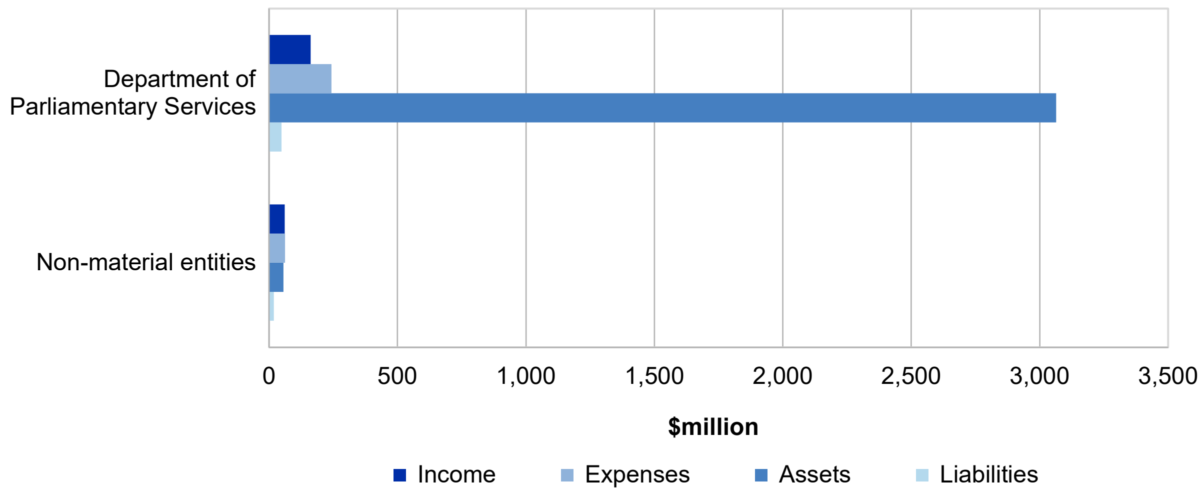
Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified
Department of Parliamentary Services	**Yes**	Low	✓	19 Sept 22	21 Sept 22	☐

✓: auditor's report not modified

☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.11.2 Figure 4.11.1 shows the Parliamentary Departments' income, expenses, assets and liabilities.

Figure 4.11.1: Parliamentary Department's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.11.3 An analysis of the quality and timeliness of financial statements preparation is included in Chapter 2, paragraphs 2.10. The analysis included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audit. The following table provides a summary of those audit differences that relate to entities within the Parliamentary Departments.

Table 4.11.2: The number of audit differences for entities in the Parliamentary Departments

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Parliamentary Services	2[a]	–	2	–	1	1
Parliamentary Budget Office	–	–	–	1	–	1

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Source: Audit differences reported to entities in the Parliamentary Departments.

4.11.4 The following sections provide a summary of the 2021–22 financial statements audit results for the Department of Parliamentary Services, and findings related to non-material entities in the portfolio.

Department of Parliamentary Services

4.11.5 The Department of Parliamentary Services (DPS) is responsible for supporting the Parliament through the provision of a range of services, including library, Hansard, broadcasting, telecommunications, building security and maintenance.

Summary of financial performance

4.11.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DPS and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.11.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(182.3)	(164.9)
Revenue from government	154.1	151.2
Surplus/(deficit) after income tax	(28.2)	(13.7)
Total other comprehensive income/(loss)	–	(1.7)
Total comprehensive income/(loss)	(28.2)	(15.4)
Total assets	134.9	132.2
Total liabilities	46.3	38.6
Total equity	88.6	93.6

Source: DPS's audited financial statements for the year ended 30 June 2022.

4.11.7 Net cost of services has increased due to the closure of Australian Parliament House (APH) as a result of COVID-19 related restrictions, resulting in lower than anticipated parliamentary shopfront and catering revenue.

Table 4.11.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	52.3	55.5
Total income	–	1.5
Surplus/(deficit)	(52.3)	(54.0)
Total other comprehensive income/(loss)	186.4	84.7
Total comprehensive income/(loss)	134.1	30.7
Total assets administered on behalf of Government	2,928.6	2,758.7
Total liabilities administered on behalf of Government	1.7	3.8
Net assets/(liabilities)	2,926.9	2,754.9

Source: DPS' audited financial statements for the year ended 30 June 2022.

4.11.8 The increase in assets and other comprehensive income is due to the revaluation adjustment for Parliament House. DPS undertook a full comprehensive asset valuation during 2021–22 that resulted in an increment for land of $26.6 million (2020–21: $28.0 million) and buildings of $159.8 million (2020–21: $52.0 million).

Key areas of financial statements risk

4.11.9 The ANAO completed appropriate audit procedures on all material items and focusses audit effort on those areas that are assessed as having a higher risk of material misstatements. The area highlighted for specific audit coverage in 2021–22 is provided in Table 4.11.5:.

Table 4.11.5: Key area of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Buildings $2.6 billion	Valuation of administered non-financial assets KAM	**Higher**	• The valuation is complex due to the unique nature of each building component that comprises Parliament House; and • Significant judgement is exercised in making the estimation, which is based on current replacement cost and useful life.

Source: ANAO 2021–22 audit results, and DPS's audited financial statements for the year ended 30 June 2022.

Audit results

4.11.10 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.11.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	1[a]	–
Total	**1**	**–**	**1**	**–**

Note a: A moderate audit finding related to the removal of IT access for former employees was identified during the 2020–21 final audit. This finding was resolved at interim in 2021–22. A discussion of this finding can be found in the Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities*.

Source: ANAO 2021–22 audit results.

4.11.11 The IT access finding was resolved during the 2021–22 interim audit phase. No significant or moderate audit findings were reported at completion of the 2021–22 financial statements audit.

4.12 Prime Minister and Cabinet portfolio

Portfolio overview

4.12.1 The Prime Minister and Cabinet portfolio is responsible for providing support and policy advice to the Prime Minister, the Cabinet and ministers on public and government administration matters, including policy development and whole-of-government coordination, and providing services to Indigenous Australians. Table 4.12.1 identifies material and other entities specifically mentioned in this chapter.

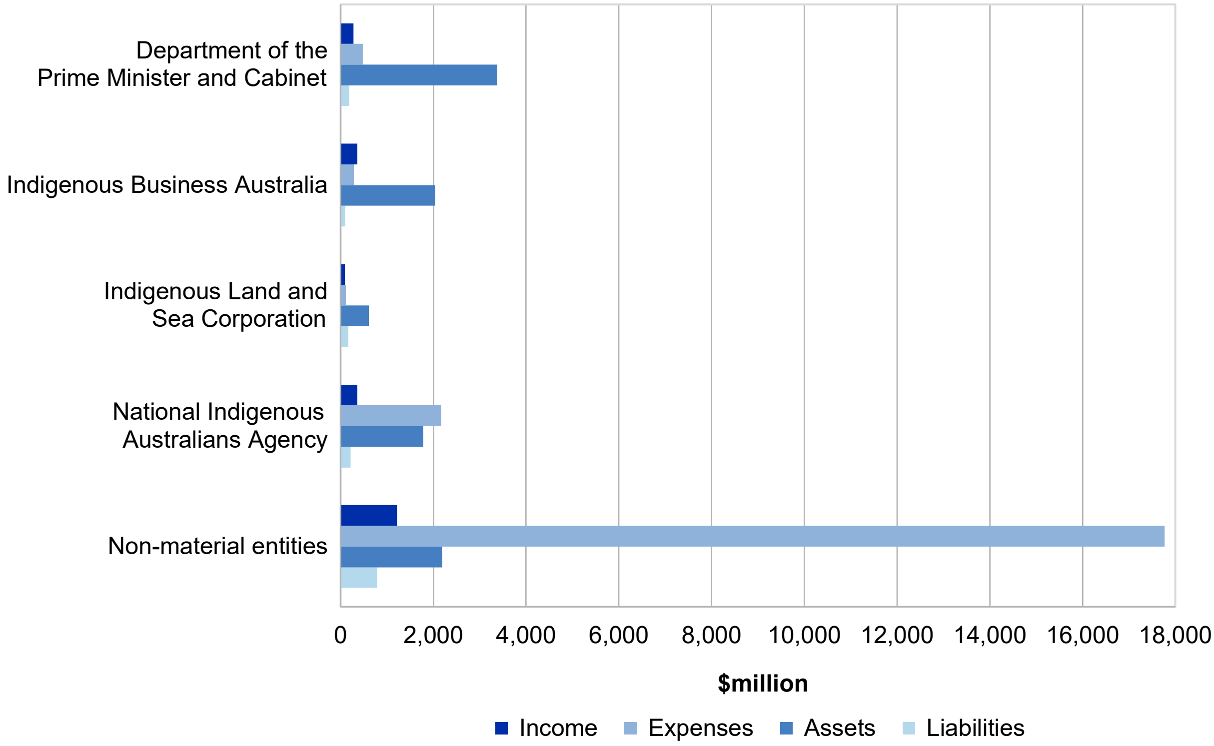
Table 4.12.1: Prime Minister and Cabinet portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit issues identified
Department of the Prime Minister and Cabinet	**Yes**	Moderate	✓	13 Sept 22	15 Sept 22	Nil
Indigenous Business Australia	**Yes**	Moderate	✓	27 Sept 22	28 Sept 22	Nil
Indigenous Land and Sea Corporation	**Yes**	Low	✓	16 Sept 22	19 Sept 22	Nil
National Indigenous Australians Agency	**Yes**	Moderate	✓	14 Sept 22	16 Sept 22	Nil
Gagudju Crocodile Hotel Trust	No	Low	E	29 Sept 22	29 Sept 22	Nil
Kakadu Tourism (GCH) Pty Ltd	No	Moderate	E	29 Sept 22	29 Sept 22	Nil
National Australia Day Council	No	Low	Q	18 Oct 22	19 Oct 22	Nil
Northern Land Council	No	Moderate	✓	30 Sept 22	30 Sept 22	▲

✓: auditor's report not modified
E: auditor's report contains an emphasis of matter
Q: auditor's report contains a qualification
▲: significant or moderate findings and/or legislative matters reported previously but not yet resolved

4.12.2 Figure 4.12.1 shows the Prime Minister and Cabinet portfolio's income, expenses, assets and liabilities for the year ended 30 June 2022.

Figure 4.12.1: Prime Minister and Cabinet portfolio's income, expenses, assets and liabilities



Source: ANAO analysis of 2021–22 CFS.

4.12.3 As previously outlined in Chapter 2, paragraph 2.10, analysis of the quality and timeliness of financial statements preparation included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audits. Table 4.12.2 provides a summary of those audit differences that relate to entities within the Prime Minister and Cabinet portfolio.

Table 4.12.2: The number of audit differences reported to entities in the Prime Minister and Cabinet portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of the Prime Minister and Cabinet	–	–	–	–	1	1
Aboriginals Benefit Account	–	–	–	1		1
Central Land Council	–	3	3	1	1	2
Indigenous Land and Sea Corporation	–	–	–	–	–	–
Indigenous Business Australia	1	–	1	2	–	2
– Gagudju Crocodile Hotel Trust	–	1	1	–	1	1

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
– Ikara Wilpena Holdings Trust	–	–	–	1	–	1
– Indigenous Economic Development Trust	–	–	–	–	1	1
– Kakadu Tourism (GCH) Pty Ltd	–	1	1	1	2	3
– Kakadu Tourism (GLC) Pty Ltd	–	2	2	1	2	3
– Northam Solar Project Partnership (IBA Northam Solar Pty Ltd)	3	1	4	4	1	5
– Tennant Creek Land Holding Trust	–	–	–	–	1	1
– Tennant Food Barn	–	1	1	–	3	3
National Australia Day Council Ltd	–	–	–	1	–	1
National Indigenous Australians Agency	–	1	1	–	–	–
Northern Land Council	–	–	–	2	2	4
Office of the Official Secretary to the Governor-General	–	1	1	–	–	–
Old Parliament House	–	1	1	–	–	–
Outback Stores Pty Ltd	–	–	–	2	1	3
Primary Partners Pty Ltd	2	–	2	–	–	–
Torres Strait Regional Authority	–	5	5	–	2	2
Voyages Indigenous Tourism Australia Pty Ltd	–	–	–	–	1	1

Source: ANAO analysis of audit differences reported to entities in the Prime Minister and Cabinet portfolio.

4.12.4 The following section provides a summary of the 2021–22 financial statements audit results for the Department of the Prime Minister and Cabinet, and findings for other material entities and non-material entities in the portfolio.

Prime Minister and Cabinet

4.12.5 The Prime Minister and Cabinet portfolio is responsible for providing support and policy advice to the Prime Minister, the Cabinet and ministers on public and government administration matters, including policy development and whole-of-government coordination, and providing services to Indigenous Australians.

4.12.6 The Department of the Prime Minister and Cabinet (PM&C) is the lead entity in the portfolio. The department's purposes in 2021–22 was to support the Prime Minister as the head of the Australian Government and the Cabinet, and to provide advice on major domestic policy and international national security matters. PM&C is responsible for coordinating policy development across government in economic, domestic and international affairs; and for public service stewardship.

Summary of financial performance

4.12.7 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by PM&C (as outlined in Table 4.12.3 and Table 4.12.4) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.12.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(261.3)	(210.1)
Revenue from government	223.2	191.6
Surplus/(deficit) attributable to the Australian Government	(38.1)	(18.5)
Total other comprehensive income/(loss)	0.2	0.3
Total comprehensive income/(loss) attributable to the Australian Government	(37.9)	(18.2)
Total assets	228.7	218.9
Total liabilities	172.8	167.8
Total equity	55.9	51.1

Source: PM&C's audited financial statements for the year ended 30 June 2022.

4.12.8 The net cost of services increase of $51.2 million from prior year is mainly attributable to a $21.5 million increase in employee expenses, a $26.8 million increase in grants and a decrease in resources received free of charge of $3.7 million, partially offset by a $2.1 million increase in revenue from contracts with customers. This increased revenue was due to an increase in costs recovered from the National Indigenous Australians Agency, largely in relation to information and communications technology projects.

4.12.9 Revenue from government increased by $31.6 million to fund additional measures for 2021–22 in relation to coordination of government activities, policy development and program delivery.

Table 4.12.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	161.5	187.2
Total income	0.1	–
Surplus/ (deficit) after income tax	(161.4)	(187.2)
Total other comprehensive income/(loss)	140.7	179.7
Total comprehensive income/(loss)	(20.7)	(7.5)
Total assets administered on behalf of Government	3,147.2	2,926.1
Total liabilities administered on behalf of Government	15.4	17.4
Net assets	3,131.8	2,908.7

Source: The Department's audited financial statements for the year ended 30 June 2022.

4.12.10 Total expenses decreased by $25.7 million mainly due to grants to the National Australia Day Council (NADC) being funded partly in the current year by prior year departmental appropriations that became available to the NADC. Total assets increased by $221.1 million due to larger administered investments balance from greater net asset balances for Indigenous Business Australia and the Central Land Council.

Key areas of financial risk

4.12.11 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of the Department's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.12.5.

Table 4.12.5: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered investments in Commonwealth entities $3.1 billion	Valuation of investments	**Moderate**	• judgment is required in the selection of valuation techniques and underlying assumptions applied by PM&C to determine the fair value of the department's investments in Commonwealth entities.
Departmental Employee benefits expense $161.0m Employee provisions $47.5m	Employee benefits and liabilities	**Lower**	• employee benefits liabilities require judgement about employee turnover, future salary increases and discount rates.
Departmental	Shared Services	**Lower**	• PM&C provides services to a number of Commonwealth entities. The revenue from these services is a significant component of departmental revenue; and

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Revenue for Contracts with Customers $53.1m			• revenue recognition requires judgements under AASB15 regarding when services are provided and the timing and amount of revenue recognition.
Departmental Property, plant and equipment $146.8m	Non-financial asset management	**Lower**	• the valuation of property, plant and equipment assets involves judgement to determine the assumptions relied on to arrive at the fair value of these assets; and • intangible assets are subject to impairment assessment, which requires judgments as to whether assets are impaired and recoverableamounts.

Source: ANAO 2021–22 audit results, and PM&C's audited financial statements for the year ended 30 June 2022.

Audit results

4.12.12 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Indigenous Business Australia

4.12.13 Under its enabling legislation, the *Aboriginal and Torres Strait Islander Act 2005*, Indigenous Business Australia's (IBA's) purpose is to assist and enhance Aboriginal and Torres Strait Islander self-management and economic self-sufficiency; and to advance the commercial and economic interests of Aboriginal and Torres Strait Islander peoples by accumulating and using a substantial capital base for their benefit. IBA has 17 actively trading subsidiaries, which are audited by the ANAO.

Summary of financial performance

4.12.14 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by IBA (as outlined in Table 4.12.6) and includes commentary regarding significant movements between years.

Table 4.12.6: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(73.2)	(95.7)
Revenue from government	9.5	9.5
Surplus/(deficit) before income tax on continuing operations	82.7	105.3
Surplus/(deficit) attributable to non-controlling interest	2.4	24.5
Surplus/(deficit) attributable to the Australian Government	79.3	80.6
Total other comprehensive income/(loss)	(1.2)	(0.7)
Total comprehensive income/(loss) attributable to the Australian Government	78.1	79.9
Total assets	2,040.7	1,860.2
Total liabilities	99.2	120.5
Total equity	1,941.5	1,739.7

Source: IBA's audited financial statements for the year ended 30 June 2022.

4.12.15 Net cost of services decreased $22.5 million as a result of an increase in revenue of $43.8 million offset by an increase in expenses of $66.3 million. The increase in revenue was primarily driven by: an uplift in the sale of goods and services of $14.0 million relating to higher fuel prices, higher occupancy, and better performance in subsidiaries; increase in grant revenue and insurance recoveries of $3.4 million; and the unwinding of concessional discount of $23.4 million relating to higher level of repayments and discharges. The increase in expenses was primarily driven by an increase in finance costs of $33.3 million due to an increase in the forward interest rate yield curve offset by decrease in other gains of $19.6 million relating fair value decrements of financial assets and investment properties.

4.12.16 Total assets increased by $180.5 million mainly due to an increase in other investments of $196.4 million relating to increased holdings of short-term deposits, a $31.9 million increase in cash and cash equivalents due to program operational inflows and a $13.6 million acquisition of properties, partially offset by a $72.5 million decrease in loan receivables.

4.12.17 Total liabilities decreased primarily due to a decrease in other payables of $13 million due to grant revenue recognised and a $4.2 million decrease in other provisions.

Key areas of financial risk

4.12.18 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of IBA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.12.7. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.12.7: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Loans – Home Ownership program $874.3 million Loans – Business Development and Assistance program $36.5 million	Valuation of loan portfolio	**Moderate**	• fair value calculations are based on a combination of variable market inputs and internally generated estimates and judgements; • the fair value methodology is complex and requires regular review to ensure continued reliability; and • application of an amortised cost basis after initial recognition involves manual processes that are subject to the risk compilation and calculation error.
	Valuation of expected credit losses relating to the loan portfolio		• the estimate for expected credit losses is subject to judgement; and • credit risk margin is subject to significant estimation sensitivity as small variations in key inputs can have a material impact on the carrying value of loans receivable.
Investment properties $186 million Property, plant and equipment $19 million Investment in associates and joint ventures $10 million Other investments including managed funds $654 million	Valuation of investments	**Moderate**	• acquisitions and disposals of investments can be complex and are subject to risk of error in complying with accounting standards requirements; • fair value calculation includes forecast earnings and capitalisation rates derived for regional areas, which are subject to judgement; • assets subject to revaluation are in regional areas that have limited observable inputs; • complex accounting requirements associated with investments in associate entities and assessment of impairment and gains on revaluation; and • unaudited management accounts are used for valuation of unlisted investments in associated entities.

Source: ANAO 2021–22 audit results, and IBA's audited financial statements for the year ended 30 June 2022.

Audit results

4.12.19 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Indigenous Land and Sea Corporation

4.12.20 The Indigenous Land and Sea Corporation's (ILSC's) purpose is to assist Aboriginal and Torres Strait Islander peoples to acquire and manage land so as to provide economic, environmental, social and cultural benefits; and to provide land management assistance to support the delivery of sustainable benefits from land acquisition. The ILSC's purpose also includes investing in water-based projects to generate social, cultural, environmental and economic opportunities that land and water ownership can bring to Indigenous Australians.

Summary of financial performance

4.12.21 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by ILSC (as outlined in Table 4.12.8) and includes commentary regarding significant movements between years.

Table 4.12.8: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(130.5)	(61.5)
Revenue from government	64.0	63.2
Surplus/ (deficit) before income tax attributable to the Government	(66.5)	1.8
Income tax expense/ (benefit)	(9.7)	(3.5)
Surplus/(deficit) attributable to the Australian Government	(56.8)	5.2
Total other comprehensive income/(loss)	33.8	6.0
Total comprehensive income/(loss) attributable to the Australian Government	(23.0)	11.2
Total assets	791.2	828.4
Total liabilities	354.2	368.7
Total equity	437.0	459.7

Source: ILSC's audited financial statements for the year ended 30 June 2022.

4.12.22 The increase in net cost of services and deficit before income tax is primarily attributable to a decrease of $30.5 million in grant funding provided in relation to COVID-19 during 2020–21, recognition of losses due to sale of assets, an increase in supplier costs due to ongoing supply chain shortages, general increases in prices and higher freight costs.

4.12.23 Total assets have decreased largely due to the divestment of NCIE and agribusiness properties valued at $44.9 million and an additional year of depreciation on property plant and equipment of $22.2 million. This was offset by an increase in the valuation of Ayers Rock Resort of $42.3 million, operated by Voyages Indigenous Tourism Australia Pty Ltd (VITA), a wholly owned subsidiary of ILSC.

Key areas of financial risk

4.12.24 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ILSC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.12.9. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.12.9: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Property, plant and equipment $408.7 million land $86.8 million	Valuation of Ayers Rock Resort	**Higher**	• complexity in valuing Ayers Rock Resort due to the judgements and assumptions involved in determining future cash inflows driven by occupancy, room rates and uncertainties due to the travel restrictions as a result of the COVID-19 pandemic.
Interest bearing loans $126.0 million	Financing of Ayers Rock Resort	**Moderate**	• significant value of loans; • a concessional loan which is a variable rate loan based on the weighted average cost of borrowing for future issuance of Treasury bonds and needs to be reassessed each year; and • exposure to movements in the interest rate potentially impact the value of the refinanced loan and concessional loan.
VITA – Total revenue $100.4 million Total expenses $143.5 million	VITA – Revenue and expenditure	**Moderate**	• varying revenue and purchasing streams with differing processes and controls due to the separation between the front and back office which are in different locations; and • impact of the COVID-19 pandemic on the operations of the ILSC Group.
Income tax benefit $(9.7) million deferred tax liability $6.3 million	Tax effect accounting and tax loss recognition	**Moderate**	• complexities in the calculation of tax balances.
Biological assets $15.9 million	Existence and valuation of livestock	**Moderate**	• complexities in valuing property, plant and equipment due to the judgements and assumptions involved, including the complexities associated in valuing the agribusiness assets; • impact of market conditions for valuing livestock; and • the remoteness and size of cattle stations make the mustering of cattle inherently difficult.

Source: ANAO 2021–22 audit results, and ILSC's audited financial statements for the year ended 30 June 2022.

Audit results

4.12.25 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Voyages Indigenous Tourism Australia Pty Ltd

4.12.26 Voyages is a wholly owned subsidiary of Indigenous Land and Sea Corporation. Voyages owns and operates Ayers Rock Resort (ARR) in the Northern Territory. It also operates Mossman Gorge Centre located in Northern Queensland. These businesses operate tourism and hospitality training and employment initiatives to benefit Indigenous people.

Audit results

4.12.27 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

4.12.28 In 2020–21 there was an Emphasis of Matter (EoM) paragraph included in the auditor's report to draw attention to the disclosure relating to the significant uncertainty surrounding the assumptions used in the valuation of ARR, resulting from the COVID-19 pandemic. In 2021–22 the EoM has been removed due to improved market conditions including an improvement in tourist numbers.

National Indigenous Australians Agency

4.12.29 The primary functions of the National Indigenous Australians Agency (NIAA) are to:

- lead and coordinate Commonwealth policy development, program design and implementation and service delivery for Aboriginal and Torres Strait Islander peoples;
- provide advice to the Prime Minister and the Minister for Indigenous Australians on whole-of-government priorities for Aboriginal and Torres Strait Islander peoples;
- lead and coordinate the development and implementation of Australia's Closing the Gap targets in partnership with Indigenous Australians; and
- lead Commonwealth activities to promote reconciliation.

Summary of financial performance

4.12.30 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by NIAA (as outlined in Table 4.12.10 and Table 4.12.11) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.12.10: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(274.0)	(262.8)
Revenue from government	268.5	256.8
Surplus/(deficit) attributable to the Australian Government	(5.5)	(6.0)
Total other comprehensive income	8.0	13.4
Total comprehensive income/(loss) attributable to the Australian Government	2.5	7.4
Total assets	287.1	299.0
Total liabilities	175.9	195.0
Total equity	111.2	104.0

Source: NIAA's audited financial statements for the year ended 30 June 2022.

4.12.31 The increase in net cost of services of $11.2 million was mainly attributable to a $4.7 million increase in employee expenses and a $8.6 million increase in contractor supplier costs, partially offset by a $2.6 million increase in revenue from contracts with customers. The increase in revenue was due to additional costs recovered from other Commonwealth entities mainly in relation to secondments. Revenue from government increased by $11.7 million primarily due to additional funding received for support of the Stolen Generations redress scheme.

4.12.32 Total assets decreased by $11.9 million mainly due to a reduction in the current year value of buildings, after depreciation, and the amortisation of intangibles.

4.12.33 Total liabilities decreased by $19.1 million mainly due to a $11.7 million reduction in lease liabilities at year-end, a $3.6 million decrease in employee provisions, and utilisation of a $3.4 million provision for restoration in respect of demountable assets in 2021–22.

Table 4.12.11: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(1,881.2)	(1,742.1)
Total income	80.1	82.0
Surplus/ (deficit) after income tax	(1,801.1)	(1,660.1)
Total other comprehensive income after income tax	–	–
Total comprehensive income/(loss)	(1,801.1)	(1,660.1)
Total assets administered on behalf of Government	1,497.9	1,431.2
Total liabilities administered on behalf of Government	41.6	39.2
Net assets/ (liabilities)	1,456.3	1,392.0

Source: NIAA's audited financial statements for the year ended 30 June 2022.

4.12.34 Total expenses increased by $139.1 million mainly due to a $127.9 million increase in grants expense. This is primarily due to an increase in the demand-driven Community Development

Program, additional schooling projects, funding of COVID-19 related support services and roll-out of grants from the Aboriginals Benefit Account.

Key areas of financial risk

4.12.35 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NIAA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.12.12, including the areas which were considered a key audit matter (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.12.12: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Grants management (a component of grants expenses) $1,508.7 million	Performance of grantees in meeting grant conditions KAM	**Higher**	• significant number and value of grants paid; • differing legislative and policy requirements across grant programs; • complexity of grants management in remote areas across Australia; and • payments rely on several IT systems operated by different Australian Government entities.
Administered Compliance program for Community Development Program (CDP) providers (a component of grants expenses) $385.8 million	Compliance by CDP providers	**Moderate**	• reliance on data submitted by providers; and • incorrect claims identified in the 2019–20 financial statements audit.
Departmental Valuation of non-financial assets $183.0 million	Fair value of non-financial assets	**Moderate**	• holdings of land, buildings, infrastructure, and plant and equipment which are dispersed around Australia and are required to valued at fair value in accordance with the Financial Reporting Rule.
Departmental Shared services (a component of supplier expenses)	Reliance on third parties for transaction processing	**Moderate**	• reliance on third parties for services including payroll and financial transaction processing for which NIAA is accountable.

Source: ANAO 2021–22 audit results, and NIAA's audited financial statements for the year ended 30 June 2022.

Audit results

4.12.36 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Comments on non-material entities

Gagudju Crocodile Hotel Trust

4.12.37 Gagudju Crocodile Hotel Trust (the Trust) is a subsidiary of IBA. The Trust's primary source of revenue is sub-lease income from leasing the land underlying the Kakadu Crocodile Hotel to Kakadu Tourism (GCH) Pty Ltd. As a result of legislative change, the Trust's sub-lease to Kakadu Tourism (GCH) Pty Ltd for the operation of the Kakadu Crocodile Hotel expired. The Trust is currently sub-leasing a transitional occupancy license to Kakadu Tourism (GCH) Pty Ltd and negotiations for the finalisation of a long-term lease are ongoing.

Audit results

4.12.38 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Emphasis of matter

4.12.39 An Emphasis of Matter paragraph has been included in the 2021–22 auditor's report to draw users' attention to the material uncertainty that exists that may cast significant doubt over the Trust's ability to continue as a going concern. The ability of the Trust to continue to operate depends upon the granting of a new lease which has not yet occurred.

Kakadu Tourism (GCH) Pty Ltd

4.12.40 Kakadu Tourism (GCH) Pty Ltd is a subsidiary of IBA. The Gagudju Crocodile Hotel Trust (the Trust) sub-leases the land underlying the Kakadu Crocodile Hotel to Kakadu Tourism (GCH) Pty Ltd. As a result of legislative change, Kakadu Tourism (GCH) Pty Ltd's lease of land from the Trust for the Kakadu Crocodile Hotel expired. Kakadu Tourism (GCH) Pty Ltd is currently sub-leasing a transitional occupancy license from the Trust and negotiations for the finalisation of a long-term lease are ongoing.

Audit results

4.12.41 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Emphasis of matter

4.12.42 An Emphasis of Matter paragraph has been included in the 2021–22 auditor's report to draw users' attention to the material uncertainty that exists that may cast significant doubt over Kakadu Tourism (GCH) Pty Ltd's ability to continue as a going concern. The ability of the entity to continue to operate depends upon entering into a new lease which has not yet occurred.

National Australia Day Council

4.12.43 The core mission of the National Australia Day Council (NADC) is to help build national pride and unity through key annual programs – Australia Day and the Australian of the Year Awards.

The NADC also actively supports citizenship through promotion of the Australian Citizenship Affirmation.

Audit results

4.12.44 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Qualification

4.12.45 In 2019–20 the NADC recognised $2.66 million of revenue as deferred revenue under AASB 15 *Revenue from Contracts with Customers* (AASB 15) based on advice received from an external consultant. AASB 15 establishes criteria that must be met for revenue to be included within the scope of this standard.

4.12.46 The ANAO assessed that the terms and conditions of the underlying contract did not meet the criteria to be included within the scope of AASB 15, and as such Australian Accounting Standards required that the NADC recognise revenue for this contract when it received cash under AASB 1058 Income of Not-for-Profit Entities (AASB 1058).

4.12.47 The ANAO considered the impact of the misstatement on the 2019–20 financial report and determined that the amount was material. As the amount was considered material, but not pervasive to the financial report, the ANAO issued a qualified audit report in 2019–20.

4.12.48 In 2020–21, the NADC did not correct the misstatement, resulting in the 2019–20 comparative figures being materially misstated in 2020–21. The accounting treatment applied by the NADC for the year ended 30 June 2020 also had consequential impacts for the year ended 30 June 2021. Had the NADC recognised the revenue at the time it received the cash, an additional amount of $2.66 million would have been recognised as revenue for the year ended 30 June 2020. The NADC has recognised the $2.66 million as revenue for the year ended 30 June 2021 resulting in an overstatement of revenue and comprehensive income of $2.66 million. Additionally, the NADC has recognised a profit of $0.17 million in comparison to a loss of $2.49 million had the revenue been recognised in the correct year. As a result, the ANAO issued a qualified audit report in 2020–21 in respect of this matter.

4.12.49 In 2021–22, a qualified audit report was again issued because of the effect of this matter on the comparability of the current period’s figures and the corresponding 2020–21 figures

Northern Land Council

4.12.50 The Northern Land Council (NLC) is a corporate Commonwealth entity formed under section 21 of the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA). The NLC is responsible for assisting Aboriginal people in the top end of the Northern Territory to acquire and manage their traditional lands and seas.

Audit results

4.12.51 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.12.13: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	–	1
Legislative breach (L1)	1	–	–	1
Total	**2**	**–**	**–**	**2**

Source: ANAO 2020–21 audit results.

4.12.52 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that Northern Land Council's 2021–22 financial statements were not materially misstated.

Unresolved significant legislative breach

Royalty Trust Account

4.12.53 Previous audits have identified non-compliance of the ALRA. This ALRA establishes the Council's responsibilities for payments in respect of Aboriginal land, requiring payment of an amount equal to amounts received to, or for the benefit of, the traditional owners of the land, within six months after that amount is received through the royalty trust account.

4.12.54 Consistent with prior years, based on the sample testing performed in 2021–22 the ANAO identified instances of non-compliance with the requirement for funds in NLC's royalty trust account to be distributed to traditional owners within the agreed timeframes.

4.12.55 NLC commenced a royalty reform project in 2016–17 to address the legislative requirements. The project was aimed at reducing incidents of non-compliance with the ALRA and reconciling outstanding balances in the royalty trust account to identify the appropriate owners for distribution.

4.12.56 NLC established a Benefits Distribution Unit (BDU) and strategies have been undertaken to expedite the distribution of payments to traditional owners. ANAO recommended that management continue tracking the timing of monies receipted and ensure procedures are in place to support distributions being made within six months in accordance with the Act.

4.12.57 The ANAO reviewed the royalty trust account reconciliation in 2021–22 and on a sample basis, testing was performed over the reconciliation and interest allocation process. Based on the samples tested, no issues were noted for the interest allocation process as at 30 June 2022.

4.12.58 The unreconciled balance of $1.73 million in the royalty trust account as at 30 June 2020 has remained unchanged at 30 June 2022. NLC advised that the legal team had filed an application for directions and orders concerning the unallocated monies by way of an Originating Motion with the Supreme Court of the Northern Territory on 26 July 2022 and NLC had its first hearing on 7 September 2022.

4.12.59 The Court has reserved its judgment on the hearing of the originating motion and NLC have sought legal advice as to whether any further steps should be taken. The ANAO will review the NLC's progress as part of the 2022–23 audit.

Unresolved moderate audit finding

Payroll exceptions

4.12.60 Since 2014–15, the ANAO has identified and reported to the NLC management a number of minor findings and weaknesses in relation to the internal controls and processes within the NLC for payroll. In 2018–19, the ANAO continued to identify a number of internal control weaknesses and identified a number of non-material errors in payments to staff. The identified control weakness, together with a lack of implementation of recommendations from prior years to improve the internal control processes for payroll, increased the likelihood that inaccurate or inappropriate payments are made and not detected. The finding was upgraded to a moderate finding in 2018–19.

4.12.61 In 2021–22, the ANAO has seen some improvement during the final audit where the number of exceptions has decreased; however since a number of exceptions were noted in the 2021–22 interim audit, the finding remains unresolved. NLC have disagreed with the finding as management believe that a number of improvements made over the period of time support the downgrading of the matter.

4.12.62 NLC advised that the new and amended casual employee recruitment guidance will be updated to clarify processes. The updated processes will be tested by the ANAO in 2022–23 to determine operating effectiveness and progress in addressing this finding will be reviewed as part of the 2022–23 audit.

4.13 Social Services portfolio

Portfolio overview

4.13.1 The Social Services portfolio is responsible for achieving the Australian Government's social policy outcomes and delivering social security priorities through policy advice, program administration and research. Table 4.13.1 identifies material and other entities specifically mentioned in this chapter.

4.13.2 The Department of Social Services (DSS) is the lead entity in the portfolio and has four core areas of responsibility — social security, families and communities, disability and carers, and housing. In addition to DSS, the portfolio also includes Services Australia, Australian Hearing Services, National Disability Insurance Agency, the Australian Institute of Family Studies and the NDIS Quality and Safeguards Commission. The entities within the Social Services portfolio administer services and programs with other government entities, non-government organisations, program participants and other stakeholders.

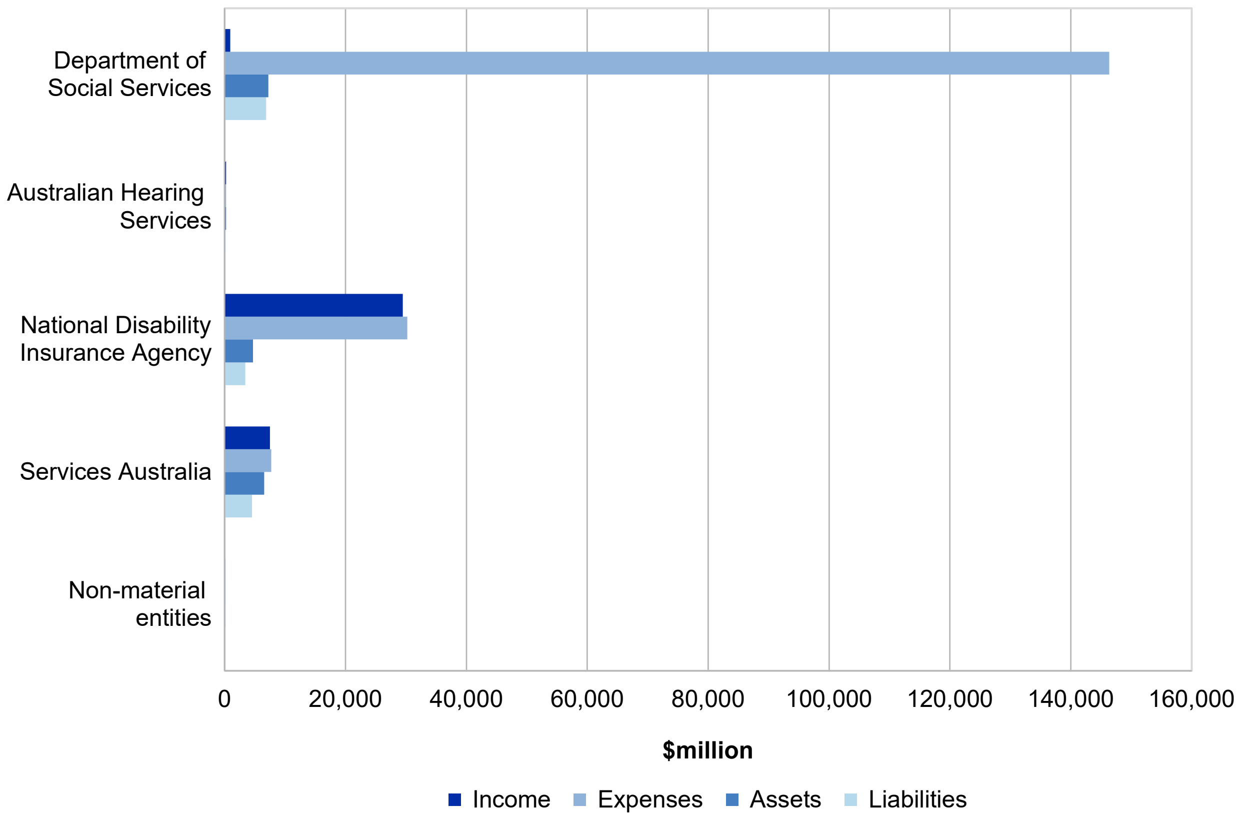
Table 4.13.1: Social Services portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified
Department of Social Services	**Yes**	Moderate	✓	5 Sept 22	5 Sept 22	▲
Australian Hearing Services	**Yes**	Low	✓	18 Aug 22	19 Aug 22	Nil
National Disability Insurance Agency	**Yes**	Moderate	✓	15 Sept 22	16 Sept 22	▲
Services Australia	**Yes**	Moderate	✓	30 Aug 22	30 Aug 22	☐
NDIS Quality and Safeguards Commission	No	Low	✓	5 Oct 22	5 Oct 22	◆

✓: auditor's report not modified
▲: significant or moderate issues and/or legislative matters reported previously not yet resolved
◆: new significant or moderate issues and/or legislative matters noted
☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.13.3 Figure 4.13.1 shows the Social Services portfolio's income, expenses, assets and liabilities.

Figure 4.13.1: Social Services portfolio's income, expenses, assets and liabilities [title]



Source: 2021–22 CFS.

4.13.4 An analysis of the quality and timeliness of financial statements preparation is included in Chapter 2, paragraph 2.10. The analysis included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audit. The following table provides a summary of those audit differences that relate to entities within the Social Services portfolio.

Table 4.13.2: The number of audit differences for entities in the Social Services portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of Social Services	2	1	3	5	1	6
Australian Hearing Services	–	1	1	–	–	–
Services Australia	1	–	1	–	–	–

Source: Audit differences reported to entities in the Social Services Portfolio.

4.13.5 The following sections provide a summary of the 2021–22 financial statements audit results for the Department of Social Services, and other material entities.

Department of Social Services

4.13.6 The Department of Social Services (DSS) is responsible for social security, families and communities, disability and carers, and housing. DSS works in partnership with other government and non-government organisations on a range of payments, policies, programs and services focused on improving the wellbeing of people and families in Australia.

4.13.7 Consistent with the Australian Government's response to the COVID-19 pandemic, Services Australia, on behalf of DSS, continued to implement a range of measures aimed at supporting members of the Australian public who were likely to be impacted by the COVID-19 pandemic.

4.13.8 There were no new significant COVID-19 stimulus measures in 2021–22. The measures noted during 2021–22 required no significant changes to internal control and key governance arrangements including IT system changes at Services Australia to enable the payment for these measures.

Summary of financial performance

4.13.9 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by DSS, and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.13.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(441.2)	(394.9)
Revenue from government	426.9	385.0
Surplus/(deficit) attributable to the Australian Government	(14.3)	(9.9)
Total other comprehensive income/(loss)	9.7	5.3
Total comprehensive income/(loss) attributable to the Australian Government	(4.6)	(4.6)
Total assets	681.7	635.6
Total liabilities	677.2	630.2
Total equity	4.5	5.4

Source: DSS' audited financial statements for the year ended 30 June 2022.

4.13.10 The net cost of services increased mainly due to the increase in average staffing levels from 1,989 in 2021 to 2,236 in 2022 and the impact of wage increases in July 2021 and January 2022. The increase is also related to further enhancement of ICT capabilities for the National Redress Scheme's New Policy Proposal Information Communication Technology Project. The budget measures to cover these costs also increased revenue from government.

4.13.11 Total assets and liabilities increased primarily due to additions in right-of-use assets and corresponding lease liabilities for leases in Canberra, Melbourne and Sydney.

Table 4.13.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	145,759.7	162,142.6
Total income	328.3	431.4
Surplus/(deficit)	(145,431.4)	(161,711.2)
Total other comprehensive income/(loss)	242.5	(79.6)
Total comprehensive income/(loss)	(145,188.9)	(161,790.8)
Total assets administered on behalf of Government	6,543.7	6,275.8
Total liabilities administered on behalf of Government	6,165.8	6,889.9
Net liabilities	377.9	(614.1)

Source: DSS' audited financial statements for the year ended 30 June 2022.

4.13.12 Total expenses decreased due to the cessation of time-limited financial support, including the Economic Support Payment and the Coronavirus Supplement, and reduction in Working Age Payments and Family Tax Benefits (FTB). The reduction in these payments is a result of the underlying economic recovery post the COVID-19 pandemic. Administered liabilities decreased by $724.1 million mainly due to a $706.8 million reduction in the FTB provision at 30 June 2022 as a result of lower claim rates.

4.13.13 Total income decreased mainly due to a $97.9 million movement in fair value loss related to the valuation of receivables for Student Start-Up Loans and the Home Equity Access Scheme. Recoveries of unspent grants also decreased by $15.5 million which was partially offset by an increase of $7.3 million in the National Redress Scheme recoveries.

4.13.14 Total assets increased by $267.9 million mainly due to the revaluation of investments held for National Disability Insurance agency, Hearing Australia and Unison Housing Ltd. The increase in loans issued for Home Equity Access Scheme loans and increase in projected repayments for SSUL also contributed to the increased assets.

Key areas of financial statements risk

4.13.15 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of DSS' financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.13.5: including areas which were considered Key Audit Matters (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.13.5: Key area of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered personal benefits expenses $123.1 billion	Accuracy and occurrence of personal benefits expenses KAM	**Higher**	• reliance on the correct self-disclosure of personal circumstances by a large number of diverse recipients; and • reliance on the Services Australia's complex information technology system for the processing of a high volume of payments across numerous personal benefit types with varying conditions for determining payment amount.
Administered personal benefits provisions $3.7 billion personal benefits receivables (component of receivables $5.2 billion)	Valuation of personal benefits provisions, and personal benefits receivables KAM	**Higher**	• provisions and receivables involve estimation models which require significant judgements and assumptions, and are dependent on a number of factors. These factors include, but are not limited to, new budget measures affecting benefit programs, timing of payments, personal circumstances of recipients and the economic environment; • the accuracy and completeness of the source data used by the actuary in developing the estimation of the provisions and receivables is also a key component of the valuation process; and • uncertainty associated with the continued impact of the COVID-19 pandemic and cessation of the debt pause on current and future cash flow estimates used in the valuation models.
Administered grant expenses $2.5 billion	Validity of grant expenses KAM	**Moderate**	• a large number of grants programs with differing legislative and policy requirements which make the management of grant processes complex and this has the potential to impact the validity of grant expenses.

Source: ANAO 2021–22 audit results, and DSS' audited financial statements for the year ended 30 June 2022.

Audit results

4.13.16 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.13.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	–	1
Total	**1**	**–**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.13.17 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that DSS' 2021–22 financial statements were not materially misstated.

Unresolved moderate audit finding

Termination of Users

4.13.18 The ANAO's 2020–21 interim testing of IT user access found weaknesses in user access terminations processes in relation to SAP HR. User accounts should be promptly removed on user's termination date as they no longer have a legitimate requirement to access the DSS network. The ANAO identified a number of instances where users continued to access systems for up to five days following separation from DSS.

4.13.19 In 2021–22 ANAO's final testing indicated that DSS has implemented processes to identify users who have had access post-termination due to late processing of their departure. The process initially focussed on identifying contractors who have accessed systems post termination based on risk and later the spectrum was extended to cover APS terminations.

4.13.20 During 2021–22, DSS made significant effort to build a detective process by reminding line managers of the importance of the offboarding process. However, the ANAO identified that whilst the controls were being implemented, one instance was identified in June 2022 where a user ID was accessed after the user's termination date with DSS.

4.13.21 DSS' detective controls process did identify this termination as having potentially accessed the DSS ICT environment post-termination, however the final investigation to determine the impact of this access was not completed before the record was closed. The ANAO will review DSS' progress in addressing this issue during the 2022–23 financial statements audit.

Australian Hearing Services

4.13.22 Australian Hearing Services (Hearing Australia) is responsible for the provision of government-funded hearing services through a national network to eligible clients under the Australian Government's Hearing Services Program. Hearing Australia also provides services to self-funded clients, supports research into hearing loss and is expanding services in Indigenous communities. Hearing Australia is managed by a board of directors appointed by the Minister for Government Services and is constituted under the *Australian Hearing Services Act 1991*.

Summary of financial performance

4.13.23 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by Hearing Australia (as outlined in Table 4.13.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.13.7: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total revenue	267.9	274.5
Total expenses	267.7	262.5
Income tax equivalent expense	0.3	(3.2)
Surplus/(deficit) after income tax equivalent expense	0.5	8.8
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	0.5	8.8
Total assets	228.5	242.0
Total liabilities	137.7	151.7
Total equity	90.8	90.3

Source: Hearing Australia's audited financial statements for the year ended 30 June 2022.

4.13.24 Total revenue has decreased mainly due to a decrease in voucher revenue. Less voucher clients were serviced during 2021–22 due to the COVID-19 pandemic and flood impacts in QLD and NSW, resulting in fewer hearing assessments. There were also testing staff shortages and centres closures in some areas due to flooding. Total expenses have increased mainly due to increased staff costs and system modernisation program costs associated with the implementation of a cloud-based IT system.

4.13.25 The decrease in total assets is mainly due to a reduction in the balance of fixed term cash deposits from $125.7 million to $107.3 million.

4.13.26 The decrease in total liabilities is largely due to the:

- utilisation of research grant funding for programs including the 'Cochlear Processor Upgrade Program' and the "Listen to Learn' program. In accordance with the requirements of the accounting standards grant funding is initially recognised as a liability until the activities are delivered; and
- reduction in total profits which has contributed to lower tax liabilities.

Key areas of financial risk

4.13.27 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Hearing Australia's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.13.8. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.13.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Total revenue $267.9 million	Completeness and accuracy of revenue	**Higher**	• complexity around the timing and recognition of numerous revenue streams and delivery performance obligations, including risk of non-compliance with Department of Health program rules; • risk of fraudulent or inappropriate manual journal entries relating to revenue; and • application of judgement by management in determining revenue balances.

Source: ANAO 2021–22 audit results, and Hearing Australia's audited financial statements for the year ended 30 June 2022.

Audit results

4.13.28 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

National Disability Insurance Agency

4.13.29 The National Disability Insurance Agency (NDIA) was established under the *National Disability Insurance Scheme Act 2013* (NDIA Act). The NDIA is responsible for delivering the National Disability Insurance Scheme (the Scheme). The Scheme is designed to provide individual control and choice in the delivery of reasonable and necessary care and support; to improve the independence, and social and economic participation, of eligible people with disability, their families and carers; and to provide associated referral services and activities.

Summary of financial performance

4.13.30 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by the NDIA (as outlined in Table 4.13.9) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.13.9: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/ contribution by services	(990.2)	(1,401.6)
Revenue from government	1,263.4	1,208.9
Surplus/(deficit) attributable to the Australian Government	273.2	(192.7)
Total other comprehensive income	(1.1)	–
Total comprehensive income/(loss) attributable to the Australian Government	272.1	(192.7)
Total assets	4,684.3	3,630.7
Total liabilities	3,440.3	2,658.7
Total equity	1,244.1	972.0

Source: NDIA's audited financial statements for the year ended 30 June 2022.

4.13.31 Total expenses increased by $5.3 billion due to an increase in participant plan expenses. This reflects the ongoing expansion of the Scheme and increasing number of participants. As at 30 June 2022, the Scheme had 534,655 active participants with approved plans compared to 466,619 at 30 June 2021.

4.13.32 The increase in total assets is driven by a rise of $970.0 million in other financial assets. Other financial assets represents term deposits with an initial maturity greater than three months. The increase in other financial assets is a result of the surplus achieved in 2021–22.

4.13.33 The increase in total liabilities relates primarily to a rise in participant plan provisions of $304.8 million and a new, one-off provision of $475.6 million to be paid to providers for additional costs incurred during the COVID-19 pandemic.

Key areas of financial risk

4.13.34 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of the NDIA's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatement. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.13.10, including areas which were considered key audit matters (KAM) by the ANAO.

Table 4.13.10: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Participant plan expenses $28.6 billion	Accuracy and occurrence of participant plan expenses KAM	**Higher**	• continued growth in participant numbers entering the Scheme; • the high volume of transactions; and • decisions as to the appropriate level of support and therefore the associated

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
			expenses are complex as the Scheme participants have varying needs.
Participant plan provision $2.0 billion	Valuation of participants' plan provisions KAM	**Higher**	• significant judgements and assumptions about the timing and amount of cashflows need to be made due to the complexity of estimating the pattern of support claimed by participants or providers.
Contributions in-kind from state and territory governments revenue $1.0 billion In kind expenses (component of participant expenses) $1.0 billion	Completeness, occurrence and accuracy of contributions of in-kind services from state and territory governments KAM	**Higher**	• in-kind revenue may be misstated if services provided directly to eligible participants by States and Territories are not appropriately reported to the NDIA in line with the bilateral agreements; and • participant expenses could be overstated if the available cash budgets within participant plans are not reduced to reflect the participant's access to in kind services.

Source: ANAO 2021–22 audit results, and NDIA's audited financial statements for the year ended 30 June 2022.

Audit results

4.13.35 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.13.11: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	–	1
Total	**1**	**–**	**–**	**1**

Source: ANAO 2021–22 audit results.

4.13.36 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that the NDIA's 2021–22 financial statements were not materially misstated.

Unresolved moderate audit finding

Timeliness of IT user access terminations

4.13.37 During 2020–21, the ANAO's interim testing of user access found weaknesses in user access terminations processes. User accounts should be removed upon termination date as they no longer have a legitimate requirement to access the NDIA's network.

4.13.38 The NDIA, with assistance from Services Australia, has implemented a monitoring process to address the issue. Services Australia provides system support to the NDIA and facilitates access management. The ANAO will test the design and implementation of the new processes during the 2022–23 financial statements audit.

Services Australia

4.13.39 Services Australia has responsibility for delivering a range of payments and services to support individuals, families and communities, as well as providers and businesses. These include income support payments and services, aged care payments, Medicare payments and services, and child support services. Social and health-related payments and services delivered by Services Australia on behalf of other entities in 2021–22 was $224.9 billion. These expenses are recognised within each of the individual policy agencies' financial statements.

4.13.40 In 2021–22 Services Australia continues to support the Australian Government's response to the COVID-19 pandemic through a range of measures including the COVID-19 disaster and pandemic leave payments, the continuation of the Telehealth function of the Medicare Benefits Scheme and the vaccine roll-out.

Summary of financial performance

4.13.41 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Services Australia, and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.13.12: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(5,616.2)	(5,354.3)
Revenue from government	5,381.5	5,088.6
Surplus/(deficit) attributable to the Australian Government	(234.7)	(265.7)
Total other comprehensive income	28.4	25.2
Total comprehensive income/(loss) attributable to the Australian Government	(206.3)	(240.5)
Total assets	5,180.4	5,056.3
Total liabilities	3,201.3	3,364.5
Total equity	1,979.1	1,691.8

Source: Services Australia's audited financial statements for the year ended 30 June 2022.

4.13.42 The increase in net cost of services and revenue from government is due to the additional funding received and expenses incurred in relation to the administration of emergency response activities associated with extreme weather events and the COVID-19 pandemic.

4.13.43 Total assets have increased by $124.1 million mainly due to an increase in software assets associated with the Welfare Payment Infrastructure Programme and Residential Aged Care Funding Reform.

4.13.44 The decrease in total liabilities largely relates to a decrease in lease liabilities of $186.6 million reflecting lease payments made during the year.

Table 4.13.13: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	1,816.1	1,740.4
Total income	1,860.1	1,790.1
Surplus	44.0	49.7
Total other comprehensive income	–	–
Total comprehensive income	44.0	49.7
Total assets administered on behalf of Government	1,371.4	1,451.4
Total liabilities administered on behalf of Government	1,347.1	1,432.5
Net assets	24.3	18.9

Source: Services Australia's audited financial statements for the year ended 30 June 2022.

4.13.45 The key activity within Services Australia's administered functions relates to child support. Child support maintenance receivables and liabilities have decreased by approximately $104.6 million. These decreases were due to an impairment rate increase in 2021–22 reflecting the interest rate impacts on the debt repayments by paying parents as part of the current year valuation. This decrease has also been reflected in the related expenses for 2021–22.

Key areas of financial statements risk

4.13.46 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Services Australia's financial statements. Services Australia has a highly complex IT environment made up of numerous systems hosted across different IT platforms. Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.13.14, including areas which were considered Key Audit Matters (KAM) by the ANAO.

Table 4.13.14: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Child support receivables $1.1 billion	Valuation of child support receivables that are yet to be paid by non-custodial parents at the end of the financial year. KAM	**Moderate**	• significant judgements and assumptions around the collection rates of child support obligations are applied in determining the valuation of child support receivables and require the involvement of an actuary. These judgements rely on the quality of the underlying data used in the estimation process; and • a large volume of child support financial transactions are processed using bespoke IT application under the complex *Child Support (Registration and Collection) Act 1988*. This complexity increases the judgements and estimates associated with the child support receivable valuation.
Departmental Intangible assets $879.0 million	Valuation of intangible assets KAM	**Moderate**	• significant judgements involved in considering the indicators of impairment to estimate the value of intangible assets; and • judgements involved in estimating the capitalisation of the staff and other costs attributed to developing the software applications.
Departmental right-of-use assets (a component of land and buildings) $1.8 billion lease liabilities $1.9 billion	Valuation of right-of-use assets KAM	**Moderate**	• judgements associated with right-of-use valuations, particularly the treatment of lease options as well as the assurance processes for identifying and recognising changes in individual lease contracts, particularly modifications, new or terminated leases.

Source: ANAO 2021–22 audit results, and Services Australia's audited financial statements for the year ended 30 June 2022.

4.13.47 The following performance audit reports were tabled during 2021–22 relevant to the financial management or administration of Services Australia:

- Auditor-General Report No.27 2021–22 *Administration of the Revised Protective Security Policy Framework.*
- Auditor-General Report No.44 2021–22 *Effectiveness of the Management of Contractors (Services Australia).*

- Auditor-General Report No.46 2021–22 *Management of staff leave in the Australian Public Service).*

4.13.48 While the reports did not include recommendations regarding risks to Services Australia's financial administration as it relates to the financial statements, the observations were considered in designing the audit procedures.

Audit results

4.13.49 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.13.15: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	1	–	1[a]	–
Total	**1**	**–**	**1**	**–**

Note a: A moderate audit finding related to the removal of IT security governance was identified during the 2020–21 audit. This finding was resolved at interim in 2021–22. A discussion of this finding can be found in the Auditor-General Report No.32 2021–22 *Interim Report on Key Financial Controls of Major Entities*.

Source: ANAO 2021–22 audit results.

4.13.50 The IT Security Governance finding was resolved during the 2021–22 interim audit phase. No significant or moderate audit findings were reported at completion of the 2021–22 financial statements audit.

Comments on non-material entities

NDIS Quality & Safeguards Commission

4.13.51 The NDIS Quality and Safeguards Commission (NDIS Commission) is an independent agency established to improve the quality and safety of NDIS supports and services nationally. It is a statutory body established under the *National Disability Insurance Scheme Amendment (Quality and Safeguards and Other Measures) Act 2017* (NDIS Act). The NDIS Commission is a non-corporate Commonwealth entity under the PGPA Act.

4.13.52 The NDIS Commission activities are defined under the NDIS Act and are guided by the NDIS Quality and Safeguarding Framework, which establishes the work with people with disability, workers and providers in terms of three types of responsibility:

- Developmental –building capability and support systems
- Preventative –preventing harm and promoting quality
- Corrective –responding if things go wrong.

4.13.53 The NDIS Commission works with NDIS participants, service providers, workers and the community through a nationally consistent approach to quality and safeguarding so participants can access services and supports that promote choice, control and dignity.

Audit results

4.13.54 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.13.16: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1*
Total	**–**	**1**	**–**	**1***

Source: ANAO 2021–22 audit results.

4.13.55 For the finding highlighted below, the ANAO undertook additional audit procedures to gain assurance that the NDIS Commission's 2021–22 financial statements were not materially misstated.

New moderate audit finding

IT Shared Services Governance

4.13.56 In February 2020 NDIS Commission's IT services transferred to Services Australia through a Machinery of Government change. There was no signed memorandum of understanding (MoU) in place during 2021–22 formally assigning roles, responsibilities and duties that Services Australia must perform. The MoU provides a framework for NDIS Commission to prioritise deliverables with Services Australia and to clarify the tolerances for ICT related risks.

4.13.57 NDIS Commission has agreed to finalise the MoU with Services Australia and a Letter of Exchange was agreed between both parties on 14 May 2021 that outlined the service to be delivered and established an interim governance structure (ICT Joint Services Management Committee) that would allow monitoring of services delivered while negotiations were underway for the finalised MoU. The issue has been upgraded from a minor risk to a moderate risk in 2022 noting that the arrangements were initially entered into in 2020–21.

4.14 Treasury portfolio

Portfolio overview

4.14.1 The Department of the Treasury is responsible for the development, delivery and implementation of economic analysis and authoritative policy advice on issues such as the economy, the budget, taxation, financial systems, foreign investment, retirement income, superannuation, small business and international economic policy. The Treasury also works with state and territory governments on key policy areas, and manages federal financial relations. Table 4.14.1 identifies material and other entities specifically mentioned in this chapter.

Table 4.14.1: Treasury portfolio material and other entities discussed in this chapter

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified
Department of the Treasury	**Yes**	Moderate	✓	14 Sept 22	14 Sept 22	◆
Australian Bureau of Statistics	**Yes**	Low	✓	26 Aug 22	26 Aug 22	Nil
Australian Office of Financial Management	**Yes**	Moderate	✓	24 Aug 22	25 Aug 22	Nil
Australian Prudential Regulation Authority	**Yes**	Low	✓	16 Aug 22	18 Aug 22	Nil
Australian Reinsurance Pool Corporation	**Yes**	Moderate	✓	20 Sept 22	20 Sept 22	Nil
Australian Securities and Investments Commission	**Yes**	Moderate	✓	17 Aug 22	17 Aug 22	Nil
Australian Taxation Office	**Yes**	High	✓	20 Sept 22	20 Sept 22	◆☐
National Housing Finance and Investment Corporation	**Yes**	Low	✓	29 Aug 22	29 Aug 22	Nil
Reserve Bank of Australia	**Yes**	Moderate	✓	7 Sept 22	7 Sept 22	Nil

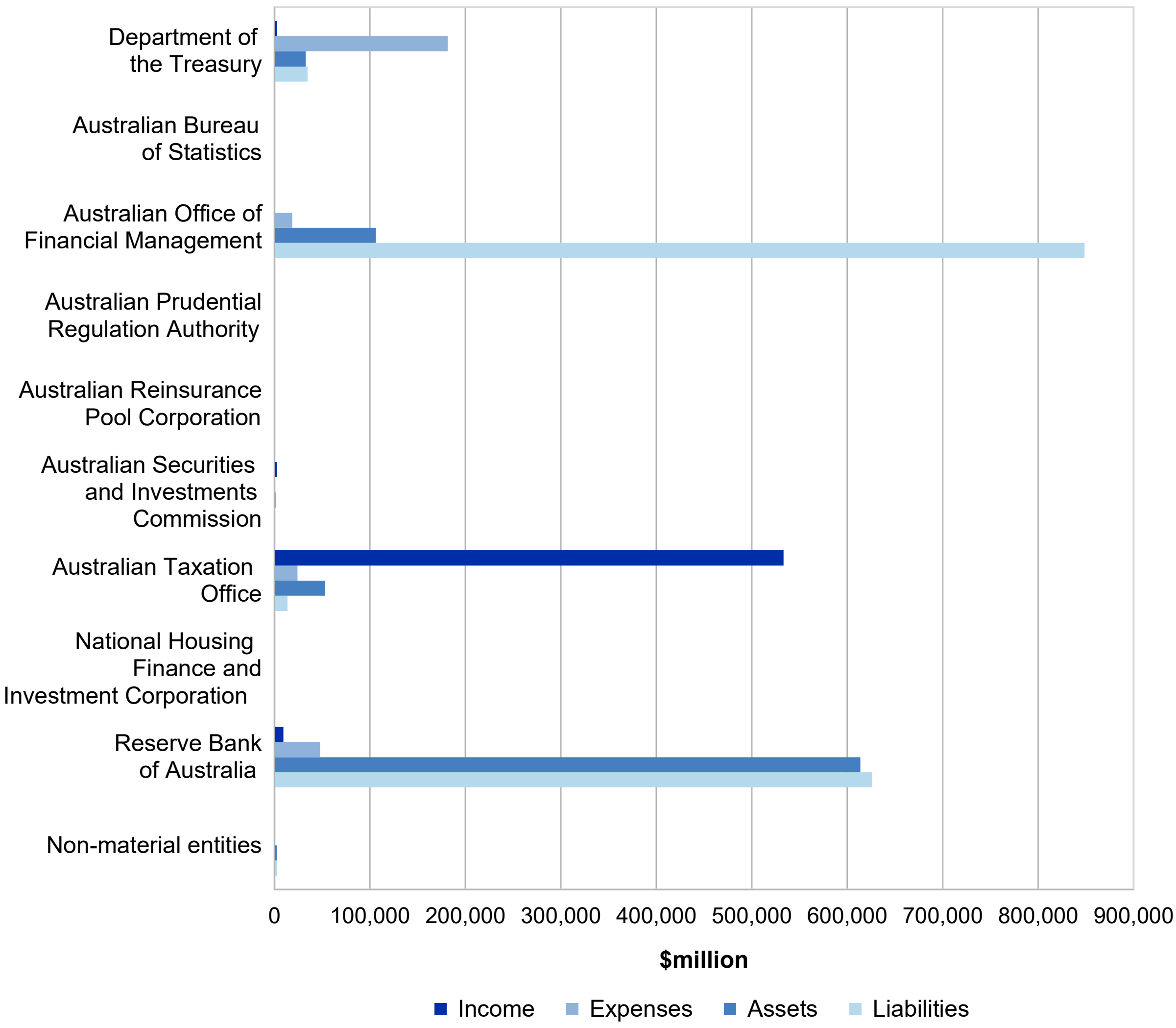
✓: auditor's report not modified

◆: new significant or moderate issues and/or legislative matters noted

☐: significant or moderate issues and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

4.14.2 Figure 4.14.1 shows Treasury portfolio's income, expenses, assets and liabilities.

Figure 4.14.1: Treasury portfolio's income, expenses, assets and liabilities



Source: 2021–22 CFS.

4.14.3 An analysis of the quality and timeliness of financial statements preparation is included in Chapter 2, paragraph 2.10. The analysis included a summary of the total number of audit differences reported to entities during the 2021–22 financial statements audit. The following table provides a summary of those audit differences that relate to entities within the Treasury portfolio.

Table 4.14.2: The number of audit differences for entities in the Treasury portfolio

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Department of the Treasury	–	2	2	–	–	–
Australian Bureau of Statistics	–	1	1	1	–	1
Australian Competition and Consumer Commission	–	–	–	1	–	1

	2021–22			2020–21		
	Unadjusted	Adjusted	Total	Unadjusted	Adjusted	Total
Australian Prudential Regulation Authority	–	2	2	–	–	–
Australian Securities and Investments Commission	–	–	–	1	1	2
Australian Taxation Office	2	–	2	5	–	5
Commonwealth Grants Commission	–	1	1	1	1	2
Inspector-General of Taxation	1	–	1	–	–	–
Financial Adviser Standards and Ethics Authority Ltd (entity was not audited in 2021–22)[b]	–[b]	–	–	–	2	2
Office of the Auditing and Assurance Standards Board	–	2	2	–	–	–
Office of the Australian Accounting Standards Board	–	3	3	–	–	–
Productivity Commission	–	2	2	–	4	4
Royal Australian Mint	1	2	3	2	–	2

Note a: The current year adjustments include adjustments identified in 2021–22 that relate to the prior year.

Note b: Financial Adviser Standards and Ethics Authority Ltd has entered into administration and was not audited by the ANAO in 2021–22

Source: Audit differences reported to entities in Treasury Portfolio.

4.14.4 The following sections provide a summary of the 2021–22 financial statements audit results for the Department of the Treasury, other material entities and findings related to non-material entities in the portfolio.

Department of the Treasury

4.14.5 The Department of the Treasury (Treasury) is responsible for the development, delivery and implementation of economic analysis and authoritative policy advice issues such as: the economy; budget; taxation; financial; foreign investment; structural policy; superannuation; small business; housing affordability and international economic policy. The Treasury also works with State and Territory governments on key policy areas, as well as managing federal financial relations.

Summary of financial performance

4.14.6 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by Treasury, and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.3: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(339.2)	(265.4)
Revenue from government	325.7	259.1
Surplus/(deficit) attributable to the Australian Government	(13.5)	(6.3)
Total other comprehensive income	(0.3)	1.7
Total comprehensive income/(loss) attributable to the Australian Government	(13.8)	(4.6)
Total assets	292.3	276.3
Total liabilities	238.4	225.0
Total equity	53.9	51.3

Source: Treasury's audited financial statements for the year ended 30 June 2022.

4.14.7 The increase in net cost of services is due to increased employee numbers to resource new and expanded programs within the department. This also led to a corresponding increase in revenue from government.

Table 4.14.4: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	180,643.3	160,388.8
Total income	2,447.0	5,840.6
Surplus/(deficit)	(178,196.3)	(154,548.2)
Total other comprehensive income/(loss)	(22,308.8)	(7,120.7)
Total comprehensive income/(loss)	(200,505.1)	(161,668.9)
Total assets administered on behalf of Government	32,447.8	45,183.4
Total liabilities administered on behalf of Government	34,491.5	21,944.4
Net assets/(liabilities)	(2,043.7)	23,239.0

Source: Treasury's audited financial statements for the year ended 30 June 2022.

4.14.8 The deficit increased this year due to an increase in total expenses as a result of additional grant funding provided to states and territories in relation to COVID-19 programs, as well as an increase in GST payments to states and territories and a decrease in total revenue primarily due to the absence of a dividend received this year from the Reserve Bank of Australia.

4.14.9 The loss in other comprehensive income and decrease in total assets is due largely to the revaluation decrement of the Reserve Bank of Australia. The revaluation adjustment was primarily due to net valuation losses incurred on the fair value measurement of domestic securities that were acquired as part of the Reserve Bank of Australia's bond purchase program in response to the COVID-19 pandemic. The adjustment led to a write down of $22.5 billion by Treasury. The decrease in total assets was partially offset by an increase in investments held, the IMF Special Drawing Right holdings, of $12 billion. These investments were issued with a corresponding liability.

Key areas of financial statements risk

4.14.10 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of Treasury's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.14.5, including areas which were considered Key Audit Matters (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.5: Key area of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Other provisions $5.5 billion	Completeness and valuation of the Disaster Recovery Funding Arrangements (DRFA) and the Natural Disaster Relief and Recovery Arrangements Provision (NDRRA) KAM	**Higher**	• reliance on information provided by state and territory governments to estimate the provision; and • complexities in judgements relating to the timing of future payments and the estimation of future costs to restore infrastructure to its condition at the time of the natural disaster.
Administered Grants expense $135.1 billion	Accuracy and completeness of payments to states and territories under the *Federal Financial Relations Act 2009* KAM	**Moderate**	• the significance of the value of grants paid and the complex eligibility criteria for a number of grants; and • reliance on other government entities to provide information to support payments and confirm the eligibility criteria have been met.

Source: ANAO 2021–22 audit results and Treasury's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.11 The following table summarises the status of the audit finding reported by the ANAO in 2020–21 and 2021–22.

Table 4.14.6: Status of audit finding

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	–	1	–	1
Total	**–**	**1**	**–**	**1**

Source: ANAO 2021–22 audit results

4.14.12 For the finding listed below, the ANAO undertook additional audit procedures to gain assurance that Treasury's 2021–22 financial statements were not materially misstated.

New moderate audit finding

Governance over the Federal Payments Management System

4.14.13 The Federal Payments Management System (FPMS) is a key system that streamlines the certification and collation of information for payments to states and territories. The ANAO has identified deficiencies in the FPMS IT general control environment. These included issues with Treasury's user access management policies and procedures, management of privileged user access and monitoring processes and controls.

4.14.14 The ANAO recommended that Treasury revise its risk assessment of the FPMS system and ensure appropriate processes are in place to mitigate the identified risks.

Australian Bureau of Statistics

4.14.15 The Australian Bureau of Statistics (ABS) provides independent and trusted official statistics on a range of economic, social, population and environmental matters of importance to governments, industry, and the wider Australian community.

Summary of financial performance

4.14.16 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by ABS (as outlined in Table 4.14.7) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.7: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(600.6)	(467.4)
Revenue from government	579.5	414.4
Surplus/(deficit) attributable to the Australian Government	(21.1)	(53.1)
Total other comprehensive income/(loss)	1.8	3.2
Total comprehensive income/(loss) attributable to the Australian Government	(19.3)	(49.9)
Total assets	365.8	381.7
Total liabilities	308.6	327.2
Total equity	57.2	54.5

Source: ABS's audited financial statements for the year ended 30 June 2022.

4.14.17 The net cost of services and revenue from government increased due to the census being undertaken during the year. Costs increase in census years to reflect the addition time and resource undertaken in census years.

Key areas of financial risk

4.14.18 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ABS's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.14.8.

Table 4.14.8: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Intangible assets $70.4 million	Valuation and impairment of non-financial assets	**Higher**	• indicators of impairment may not be adequately identified as a result of business reorganisation or restructuring; and • with a system or technology upgrade, there is a risk that the carrying value of assets may be materially misstated by incorrectly capitalising new expenditure and incorrectly assessing the existing assets' useful lives.
Revenue from contracts with customers $59.4 million	Recognition of revenue from rendering of services	**Higher**	• a risk that revenue is recorded at a point in time when it should have been recorded over time; • a risk that revenue is not recognised accurately across the period of the contract/ service; and • a risk in relation to the maintenance of appropriate documentation to support the recognition of revenue on the basis concluded.
Leasehold improvement and plant and equipment $38.2 million	Valuation and impairment of non-financial assets	**Moderate**	• the fair valuation of assets is inherently judgemental and requires specialist expertise; and • indicators of impairment may not be adequately identified.
Census field staff expenses $68.1 million	Accuracy of census contractor expenses	**Moderate**	• ABS conducted a census in August 2021. The workforce will increase considerably for a short period of time with contractors being engaged to help perform the Census. Contractors will be employed during the majority of 2020–21; and • There is a risk contractor expenses incurred outside of regular operations will not be recorded accurately.

Source: ANAO 2021–22 audit results, and ABS's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.19 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Office of Financial Management

4.14.20 The Australian Office of Financial Management (AOFM) is responsible for managing Australian Government debt and financial assets. It issues Treasury Bonds, Treasury Indexed Bonds and Treasury Notes, manages the government's cash balances and invests in high quality financial assets under the Australian Business Securitisation Fund and the Structured Finance Support Fund.

Summary of financial performance

4.14.21 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by AOFM (as outlined in Table 4.14.9 and Table 4.14.10) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.9: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(13.2)	(15.9)
Revenue from government	16.5	16.5
Surplus/(deficit) attributable to the Australian Government	3.3	0.6
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	3.3	0.6
Total assets	39.1	35.8
Total liabilities	8.4	8.6
Total equity	30.7	27.2

Source: AOFM's audited financial statements for the year ended 30 June 2022.

4.14.22 The increase in the surplus result for the year is due to lower than anticipated supplier expenses in relation to managing the Australian Business Securitisation Fund and the Structured Finance Support Fund. This was due to lower investment activity in these funds.

Table 4.14.10: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(18,551.0)	(17,124.0)
Total income	232.0	249.0
Re-measurement gain/ (loss)	115,931.0	28,873.0
Surplus/ (deficit)	97,612.0	11,998.0
Total comprehensive income/(loss)	97,612.0	11,998.0
Total assets administered on behalf of Government	90,765.0	59,821.0
Total liabilities administered on behalf of Government	848,457.0	888,421.0
Net assets/ (liabilities)	(757,692.0)	(828,600.0)

Source: AOFM's audited financial statements for the year ended 30 June 2022.

4.14.23 The surplus earned during the current year is primarily a result of $115.9 billion remeasurement gains on Australian Government Securities due to increasing interest rates. This has also led to a decrease in total liabilities held. Whilst the face value of bonds issued increased, increasing interest rates resulted in a decrease in the fair value of the liability.

4.14.24 Total assets have increased as a result in additional funds retained in the cash management account. Cash is maintained in this account to manage cash liquidity and provide greater flexibly in the debt issuance program.

Key areas of financial risk

4.14.25 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of AOFM's financial statements. The ANAO focused audit effort on those that are assessed as having a higher risk of material misstatements. The area highlighted for specific audit coverage in 2021–22 is provided in Table 4.14.11. The valuation and disclosure of Australian Government Securities was considered a key audit matter (KAM) by the ANAO. No significant or moderate audit findings were identified relating to the key areas of risk.

Table 4.14.11: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Australian Government securities $848.5 billion	Valuation and disclosure of Australian Government securities KAM	**Moderate**	• fair value movements have a material impact on the financial statements due to the significant value of the liability and significant volume of instruments issued; • the fair value is subject to price changes in local and global money and capital markets; and • complex financial statements disclosure requirements for financial liabilities measured at fair value through profit and loss.

Source: ANAO 2021–22 audit results, and AOFM's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.26 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Prudential Regulation Authority

4.14.27 The Australian Prudential Regulation Authority (APRA) is responsible for the prudential regulation of the Australian financial services industry through the oversight of banks, credit unions, building societies, friendly societies, general insurers, life insurers, private health insurers, reinsurance companies and most of the superannuation industry. APRA is funded largely by the industries that it regulates.

Summary of financial performance

4.14.28 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by APRA (as outlined in Table

4.14.12 and Table 4.14.13) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.12: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(209.1)	(193.2)
Revenue from government	226.5	185.7
Surplus/(deficit) attributable to the Australian Government	17.4	(7.5)
Total other comprehensive income/(loss)	(0.2)	(0.1)
Total comprehensive income/(loss) attributable to the Australian Government	17.2	(7.6)
Total assets	181.3	173.1
Total liabilities	109.9	118.8
Total equity	71.4	54.2

Source: APRA's audited financial statements for the year ended 30 June 2022.

4.14.29 The increase in revenue from government reflects higher levies being collected from industry to fund an approved 2020–21 budget measure for APRA to increase staff capacity to respond to risks within the financial system. The increased staffing is the primary driver for the increase in the net cost of services. The increase in total assets reflect the higher cash balances as a result of the operating surplus.

4.14.30 The decrease in total liabilities predominately relates to a decrease in lease liabilities of $7.7 million due to principal repayments made during the year, and the settlement of a one-off legal cost of $6.5 million which was raised as a legal costs provision in a prior year.

Table 4.14.13: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	400.0	423.6
Total income	665.1	646.5
Surplus/ (deficit)	265.1	222.9
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss)	265.1	222.9
Total assets administered on behalf of Government	3.2	3.0
Total liabilities administered on behalf of Government	2.0	2.0
Net assets	1.2	1.0

Source: APRA's audited financial statements for the year ended 30 June 2022.

4.14.31 Total income increase is a result of higher supervisory levies being collected from industry of $42.0 million to fund an approved 2020–21 budget measure for APRA to increase staff capacity for APRA's departmental operations. Offsetting this increase was a $23.6 million decrease in the collection and subsequent remittance of Risk Equalisation levy. The decrease is due to lower industry activity primarily due to the COVID-19 pandemic. The Risk Equalisation levy receipts are set to equalise risk across the private health insurance industry and are determined quarterly under section seven of *Private Health Insurance (Risk equalisation levy) Act 2003* by APRA. The increase impacted both total revenue and total expenses.

Key areas of financial risk

4.14.32 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of APRA's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatements. The area highlighted for specific audit coverage in 2021–22 is provided in Table 4.14.14. No significant or moderate audit findings were identified relating to the key area of risk.

Table 4.14.14: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Levy revenue $664.8 million	Accuracy of administered levy revenue	**Moderate**	• complex calculations that are prescribed in a number of Acts and rules.
Departmental Intangible Asset Management $48.0 million	Recognition of valuation of internally developed software	**Moderate**	• complexities in assessing the nature and extent of costs that can be capitalised under Australian accounting standards and subject to management judgement.

Source: ANAO 2021–22 audit results, and APRA's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.33 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Reinsurance Pool Corporation

4.14.34 The Australian Reinsurance Pool Corporation (ARPC), established by the *Terrorism and Cyclone Insurance Act 2003*, is responsible for administering the Terrorism Reinsurance Scheme, providing primary insurers with reinsurance for commercial property and associated business interruption losses arising from a declared terrorist incident.

Summary of financial performance

4.14.35 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by ARPC (as outlined in Table 4.14.15) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.15: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(172.4)	(165.6)
Own-source income	284.6	250.5
Surplus/(deficit) attributable to the Australian Government	112.2	84.9
Total assets	885.6	757.3
Total liabilities	178.0	161.9
Total equity	707.6	595.4

Source: ARPC's audited financial statements for the year ended 30 June 2022.

4.14.36 Own sourced income has increased as a result of higher pricing received for policies. This has been driven by the current market conditions. The additional income has led to an increase in the surplus at year end, and an increase in assets held.

4.14.37 Total expenses have increased due to costs associated with establishing the cyclone reinsurance pool which commenced from 1 July 2022.

Key areas of financial risk

4.14.38 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ARPC's financial statements. The ANAO focused audit effort on those areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided in Table 4.14.16. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.16: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Premium revenue $281.0 million Unearned premium liability $140.7 million	Accuracy of insurance premium	**Moderate**	• inaccurate recognition of premium; • insurers may calculate and remit incorrect premium reviews; and • incorrect calculation of unearned premium.
Outward retrocession premium expense $65.6 million	Accuracy of retrocession cost and deferral	**Moderate**	• inaccurate calculations and payments of retrocession premium; and • deterioration in credit worthiness of reinsurance counterparties may affect the recoverability of reinsurance receivables.

Source: ANAO 2021–22 audit results, and ARPC's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.39 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Securities and Investments Commission

4.14.40 The Australian Securities and Investments Commission (ASIC) is Australia's integrated corporate, financial services, markets and consumer credit regulator, supporting a fair, strong and efficient financial system for all Australians. ASIC's core responsibility is to maintain and facilitate the performance of Australia's financial system and promote confident and informed participation by investors and consumers.

Summary of financial performance

4.14.41 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by ASIC (as outlined in Table 4.14.17 and Table 4.14.18) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.17: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(397.9)	(451.5)
Revenue from government	422.0	437.1
Surplus/(deficit) attributable to the Australian Government	24.1	(14.4)
Total other comprehensive income/(loss)	3.7	–
Total comprehensive income/(loss) attributable to the Australian Government	27.8	(14.4)
Total assets	549.6	541.4
Total liabilities	333.0	377.3
Total equity	216.6	164.1

Source: ASIC's audited financial statements for the year ended 30 June 2022.

4.14.42 Total revenue and surplus for the year increased due to additional funding received from other Australian Government entities to fund projects completed by ASIC on behalf of these entities. There was also an increase in court cost recovery revenue received during the year.

4.14.43 The reduction in total liabilities for the year primarily relates to the reduction in lease liabilities as a result of lease payments made during the year.

Table 4.14.18: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(145.7)	(227.7)
Total income	1,964.8	1,807.9
Surplus/ (deficit)	1,819.1	1,580.2
Total assets administered on behalf of Government	477.4	467.5
Total liabilities administered on behalf of Government	507.3	535.7
Net assets	(29.9)	(68.2)

Source: ASIC's audited financial statements for the year ended 30 June 2022.

4.14.44 The increased surplus is due to a reduction in total expenses is largely attributed to the remeasurement of the unclaimed monies provision at reporting date, which has reduced from the prior year as a result of higher bond rates. This has also resulted in a reduction in total liabilities.

4.14.45 Revenue has increased this year primarily due to an increase in the amount of fine revenue collected, this includes late fees, court fines and penalty and infringement notices. There was also an increase in the number of companies registered with ASIC and thus an increase in fee revenue.

Key areas of financial risk

4.14.46 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ASIC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.14.19. including areas considered key audit matters (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.19: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Unclaimed monies provisions $459.0 million	Valuation of the provisions for future claims of unclaimed monies	**Higher**	• the actuarial model used to calculate the provision relies on a legislative framework that can be subject to change; and • the calculation is sensitive to movements in general market conditions such as the growth rate, claims history and discount rate which are subject to management judgement.
Administered Taxation revenue $1,017.3 million Non-taxation revenue	Completeness and accuracy of administered revenue	**Moderate**	• corporate fees and fines revenue is reliant on the completeness of data in subsidiary IT systems which is transferred to the Financial Management Information System (FMIS); • taxation revenue arising from the supervisory cost recovery levies is

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
$947.5 million			estimated in advance of invoicing, and subject to management judgement; and • complexities in the point at which unclaimed monies revenue is recognised in accordance with AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not-for-Profit Entities*.

Source: ANAO 2021–22 audit results, and ASIC's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.47 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Australian Taxation Office

4.14.48 The Australian Taxation Office's (ATO) core areas of responsibility are managing and shaping tax, excise and superannuation systems that fund services for Australians, together with the provision of support to the Tax Practitioners Board, the Australian Business Registry Services and the Australian Charities and Not-for-profits Commission.

Summary of financial performance

4.14.49 The following section provides a comparison of the 2020–21 and 2021–22 key departmental and administered financial statements items reported by ATO (as outlined in Table 4.14.20 and Table 4.14.21) and includes commentary regarding significant movements between years.

Table 4.14.20: Key departmental financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	(3,944.7)	(3,924.4)
Revenue from government	3,770.7	3,831.8
Surplus/(deficit) attributable to the Australian Government	(174.0)	(92.6)
Total other comprehensive income/(loss)	17.6	(0.1)
Total comprehensive income/(loss) attributable to the Australian Government	(156.4)	(92.7)
Total assets	2,440.5	2,525.6
Total liabilities	2,133.4	2,215.8
Total equity	307.1	309.8

Source: ATO's audited financial statements for the year ended 30 June 2022.

4.14.50 The increase in net cost of services was mainly due to an increase in employee benefits, partially offset by an increase in own-source revenue from rendering of services. The increase in employee benefits of $40.8 million was primarily driven by an increase in staff numbers and a 2% annual salary increase in accordance with the ATO Determination 2019. The increase in rendering of services was primarily driven by an increase in merchant fees of $10.5 million, attributable to changes in taxpayer behaviour and payment arrangements. The decrease in revenue from government of $61.1 million reflects the lower funding received for New Policy Proposals which was primarily driven by the reduction of government support for COVID-19 stimulus activities.

4.14.51 The movement in total assets was primarily due to a decrease in appropriation receivable of $103.5 million, which was offset by an increase in non-financial assets of $29.9 million due to several prepayments made at year end. The movement in total liabilities was mainly due to a decrease in supplier payables of $42.9 million due to the timing of payments at year end and decrease in employee provisions of $62.3 million due to staff usage of leave and discount rate adjustments. This was offset by an increase in other provisions of $16.2 million due to a $11.0 million increase in the legal cost provisions and $5.2 million increase relating to the new restoration and make good requirements as part of new leases signed in 2021–22.

Table 4.14.21: Key administered financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	20,202.0	91,941.0
Total revenue	529,273.0	457,800.0
Surplus/ (deficit)	509,071.0	365,859.0
Total comprehensive income/(loss)	509,071.0	365,859.0
Total assets administered on behalf of Government	50,647.0	44,640.0
Total liabilities administered on behalf of Government	11,522.0	10,915.0
Net assets	39,125.0	33,725.0

Source: ATO's audited financial statements for the year ended 30 June 2022.

4.14.52 The decrease in total expenses of $71.7 billion was largely attributable to a decrease in subsidies of $70.2 billion and a decrease in impairment of receivables of $1.5 billion. The decrease in subsidies was because of the closure of economic stimulus programs, JobKeeper and cash flow boost, resulting in a decrease of $69.4 billion and a $0.5 billion decrease in the fuel tax credits scheme due to the temporary reduction of the fuel excise rate. The decrease in impairment receivables reflects a revision to the impairment methodology in 2020–21 to better incorporate emerging trends and the impacts from the COVID-19 pandemic.

4.14.53 The increase in total revenue of $71.4 billion was mainly due to a $28.7 billion increase in individual tax resulting from stronger labour market conditions, $28.0 billion increase in company tax as a result of the strengthening of the mining, non-mining and non-finance sectors, $13.5 billion increase in superannuation funds due to the strength in fund incomes driven by capital gains, forex gains and contributions and $1.3 billion increase in the petroleum resource rent tax which was due to the increase in oil prices.

4.14.54 Total assets increased by $6.0 billion mainly due to an increase in net receivables of $4.9 billion and an increase in accrued revenue of $1.0 billion. The movement in receivables was the net impact of an increase in gross receivables of $8.5 billion, due to the increase in income tax revenue, offset by a $3.7 billion increase in impairment allowance, due to the ageing of the debt book and increase in gross receivables, and a $0.1 billion decrease in the allowance for credit amendments for disputed cases. The movement in accrued revenue is mainly attributable to $0.6 billion in accrued GST revenue and $0.4 billion in accrued offshore petroleum levy.

Key areas of financial risk

4.14.55 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of ATO's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.14.22, including areas considered key audit matters (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.22: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Administered Taxation revenue $528.4 billion expenses $20.2 billion	Accuracy of taxation revenue KAM Accuracy of expenses	**Higher**	• complexity and judgement involved in the reliable estimation of taxation revenue due to uncertain timing of tax return assessments, payments and forecasting of likely taxation revenue outcomes; • significant judgement when selecting the appropriate base and method for revenue recognition; • completeness, relevance and accuracy of source data used in developing taxation revenue estimates; and • estimation involves consideration of historical taxpayer behaviours together with assumptions about economic factors such as future wage growth, and gross domestic product.
Administered Taxation receivables (gross) $70.6 billion impairment allowance $30.3 billion allowance for credit amendments $5.8 billion	Valuation of taxation receivables and provisions for refunds KAM	**Higher**	• complex methodologies and assumptions underpinning the calculation and assessment of the recoverability of taxation receivables, and the calculation of the provision for refunds; • estimate methodologies are based on assumptions including taxpayer compliance and lodgement history, the existence of dispute over a receivable and the taxpayers' capacity to pay. Models use historical data to predict future taxpayer behaviour; and • completeness, relevance and accuracy of source data used in estimating balances.

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
(component of net receivables of $34.9 billion) provision for refunds $2.4 billion (component of provisions of $9.1 billion)			
Administered Taxation revenue $528.4 million	Completeness of taxation revenue and the ATO's compliance and risk management processes relating to the collection of taxation revenue.	**Higher**	• reliance on information provided by taxpayers in a self- assessment and voluntary compliance regime for a significant value of revenue transactions; • the effectiveness of the design and implementation of the compliance risk management regime that reduces the risk that inappropriate taxation returns may not be detected and corrected by the ATO, which makes the deterrence of tax evasion more effective; and • judgements associated with the risk management approach to compliance activities.
Administered All financial statements items	Accuracy and completeness of balances due to ATO's complex IT business systems and associated processing of taxpayer returns and statements	**Higher**	• large and complex IT environment with several hundred business applications processing a high volume of transactions through many IT systems that are bespoke or heavily customised to the ATO; and • reliance on bespoke reports to extract large volume and complex data from IT systems for the calculation of balances used in the preparation of the financial statements.
Administered All financial statements items	Completeness and accuracy of data required for financial reporting purposes due to complex manual processes for compilation data	**Moderate**	• manual calculation of complex information in spreadsheets increases the risk of miscalculation due to data linkages and human error.

Source: ANAO 2021–22 audit results, and ATO's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.56 The following table summarises the status of audit findings reported by the ANAO in 2020–21 and 2021–22.

Table 4.14.23: Status of audit findings

Category	Closing position (2020–21)	New findings (2021–22)	Findings resolved (2021–22)	Closing position (2021–22)
Moderate (B)	2	2	2[a]	2
Total	**2**	**2**	**2**	**2**

Note a: One moderate audit finding related to User access terminations not performed in a timely manner was resolved during the 2021–22 interim phase. A discussion of this finding can be found in the Auditor-General Report No. 32 2021–22 *Interim Report on Key Financial Controls of Major Entities.*

Source: ANAO 2021–22 audit results.

4.14.57 For each of the findings listed below, the ANAO undertook additional audit procedures to gain assurance that ATO's 2021–22 financial statements were not materially misstated.

New moderate audit findings

Uneconomic to pursue debt and re-raises

4.14.58 Prior to January 2020, the ATO's automated system managed the offset of credits owing to taxpayers against debts considered to be uneconomical to pursue ('non-pursued debts'). The system process was referred to as a 're-raise'. If a taxpayer became entitled to a credit the non-pursued debt would be re-raised on the system and the credit offset against it. The ATO also has established, through policies and pre-determined system-based rules, exclusionary criteria to prevent certain non-pursued debts from being re-raised. This policy has been in place for a number of years.

4.14.59 In 2021–22, the ANAO identified issues associated with the ATO's treatment of debts considered to be uneconomical to pursue ('non-pursued debt'). These included:

- the timeframe where the automatic re-raise functionality was switched off that resulted in the ATO not re-raising debts that had previously been identified as uneconomical to pursue where the taxpayer became entitled to a credit.
- the use of exclusionary criteria that had the effect of preventing a re-raise on a taxpayer's account for non-pursued debt that met certain criteria.

4.14.60 In both cases there was a potential effect of a taxpayer being able to receive a full credit despite having a debt owed to the Commonwealth.

4.14.61 The ANAO recommended that the ATO review and update policies in relation to the recognition and management of non-pursued debt and implement system processes and changes to ensure full law conformance with the legal requirements of the *Taxation Administration Act 1953* (TAA). The ANAO also recommended the ATO develop a process for the identification of debts considered irrecoverable and debts that require a waiver from the Finance Minister, including a governance mechanism that ensures compliance with the TAA and *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

4.14.62 The ATO has agreed with the recommendations and at the end of the 2021–22 final audit, system offsetting of credits against uneconomic non-pursued debt had recommenced, with an endorsed plan for the removal of all exclusionary criteria by no later than June 2023. The ANAO will review the status of the audit finding as part of the 2022–23 audit.

ATO assurance over extracts of data

4.14.63 Reports from ATO systems are extracted by running queries written in structured query language (SQL). The completeness and accuracy of these SQLs are reliant upon a set of controls surrounding development, maintenance and execution of the queries to ensure that underlying systems, if changed or amended, do not adversely affect the operation of the queries.

4.14.64 In 2021–22, the ANAO identified system changes that had not been reflected in the assurance statements provided to the ANAO to support data assurance testing over relevant SQLs which resulted in two incomplete datasets being provided to the ANAO.

4.14.65 The ANAO recommended that the ATO implement an overarching framework of change control mechanisms over data extraction tools and processes. This should include consideration of periodic reviews of changes to business systems that may impact tools used to extract data, formalisation of processes used to flag relevant changes impacting data requirements, and improvements to current quality assurance and assurance statement activities. The ATO has agreed with the recommendations. The ANAO will review the status of the audit finding as part of the 2022–23 audit.

Resolved moderate audit finding

General Interest Charge (GIC) and Failure to Lodge (FTL) Remissions

4.14.66 In 2020–21, the ANAO identified that rapidly implemented changes to the ATO's business-as-usual interest and penalty remission arrangements announced as part of administrative support measures for taxpayers impacted by the COVID-19 pandemic, were not all subject to risk informed decision-making processes and there were gaps in the governance framework.

4.14.67 The ANAO recommended that governance frameworks and implementation processes be strengthened to include review of administrative processes for remission of interest and penalties. The ANAO also recommended that the ATO review the existing governance mechanisms over penalties and interest remission arrangements to assess if they were fit for purpose or required modification. ATO agreed with the recommendations.

4.14.68 During the 2021–22 final audit, evidence was provided to support the resolution of the ANAO's recommendation. The ATO has reviewed and updated relevant GIC and FTL remission decision making policies, procedures and decision-making frameworks. An updated policy on large scale decisions outside of business-as-usual procedures was endorsed and disseminated to all impacted stakeholders. The ATO Internal Audit will also include a follow-up review in 2022–23 in the program of work.

4.14.69 The ANAO's evaluation of the design and operating effectiveness of the new processes and controls was undertaken in the 2021–22 final audit and no issues were noted. Based on the testing performed, this finding was resolved at the conclusion of the final audit.

National Housing Finance and Investment Corporation

4.14.70 The National Housing Finance and Investment Corporation (NHFIC) is established by the *National Housing Finance and Investment Corporation Act 2018*. NHFIC is responsible for: the establishment and operation of an Affordable Housing Bond Aggregator (AHBA), which provides finance to registered community housing providers by aggregating their lending requirements and issuing bonds to institutional investors and; the establishment and operation of the National

Housing Infrastructure Facility (NHIF) to provide loans, grants and investments for social and affordable housing as well as to overcome impediments to the provision of housing that is due to the lack of necessary infrastructure. It also administers the Home Guarantee Scheme (HGS) to support first home buyers and single parents to access the housing market sooner and undertakes research into housing supply, demand and affordability in Australia.

Summary of financial performance

4.14.71 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by NHFIC (as outlined in Table 4.14.24) and includes commentary regarding significant movements between years contributing to overall performance.

Table 4.14.24: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Net (cost of)/contribution by services	8.2	(118.2)
Revenue from government	39.9	59.0
Surplus/(deficit) attributable to the Australian Government	48.1	(59.2)
Total other comprehensive income/(loss)	–	–
Total comprehensive income/(loss) attributable to the Australian Government	48.1	(59.2)
Total assets	2,832.2	2,509.2
Total liabilities	2,208.1	2,098.1
Total equity	624.1	411.1

Source: NHFIC's audited financial statements for the year ended 30 June 2022.

4.14.72 The net cost of services and surplus have been impacted by the movement in the concessional loan discount from $112.4 million to $7.9 million. The decrease was due to a lower number of loans issued during the year.

4.14.73 The reduction in revenue from government is due to the ceasing of the appropriation funding for the AHBA in 2021.

4.14.74 Total assets increased by $323.0 million primarily due to additional loans of $98.2 million issued during the year and an increase in other investments of $200.0 million.

4.14.75 The increase in liabilities of $110.0 million is primarily a result of $162.2 million in proceeds received from two bond issuances ($198.0 million in face value) offset by a reduction in the line of credit from government of $53.2 million.

Key areas of financial risk

4.14.76 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of NHFIC's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.14.25. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.25: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Accounting for and assessment of concessional loans Loans receivable $2.0 billion Concessional loans provisions $7.9 million	Recognition, completeness and accuracy of concessional loans and associated calculations	**Moderate**	• manual calculation of complex information; • application of judgement surrounding the selection and application of indices such as market rates; and • interpretation of and disclosure in accordance with AASB 9 *Financial Instruments*.
Issuance and valuation of bonds Other interest-bearing liabilities $2.2 billion	Valuation and completeness of bonds recognised in the financial statements	**Moderate**	• the significant value of bonds transactions and subsequent fair value measurement which may require the use of judgement.

Source: ANAO 2021–22 audit results, and NHFIC's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.77 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Reserve Bank of Australia

4.14.78 The objectives of the Reserve Bank of Australia (RBA) are to determine and implement monetary policy, work to maintain a strong financial system and efficient payments system and issue the nation's banknotes. As well as being a policymaking body, the RBA provides selected banking services to a range of Australian Government entities and to a number of overseas central banks and official institutions. The RBA is also responsible for the management of Australia's gold and foreign exchange reserves.

Summary of financial performance

4.14.79 The following section provides a comparison of the 2020–21 and 2021–22 key departmental financial statements items reported by RBA as outlined in Table 4.14.26 and includes commentary regarding significant movements between years.

Table 4.14.26: Key financial statements items

Key financial statements items	2021–22 ($m)	2020–21 ($m)
Total expenses	(661.0)	(641.0)
Total income[a]	(36,039.0)	(3,691.0)
Net profit/ (loss)	(36,700.0)	4,332.0
Total other comprehensive income	1,252.0	(324.0)
Total comprehensive income	(35,448.0)	(4,656.0)
Total assets	613,774.0	539,897.0
Total liabilities	626,217.0	(516,892.0)
Total equity	(12,443.0)	23,005.0

Note a: RBA total income includes foreign exchange losses on securities resulting in a negative net profit.

Source: RBA's audited financial statements for the year ended 30 June 2022.

4.14.80 Total income decreased significantly as a result of net valuation losses of $46 billion incurred on the fair value measurement of domestic securities that were acquired as part of the Bank's bond purchase program (BPP) in response to the COVID-19 pandemic. Yields on Australian Government Securities applied for the fair valuation increased from an average of about 1 per cent in June 2021 to an average of above 3 percent in June 2022 as a result of growing expectations for tighter monetary policy. The valuation loss is offset by $8.5 billion of net interest income on the Bank's securities holdings. The overall effect of this loss is the Bank reporting a net liability position of $12.4 billion. Other comprehensive income increased by $1.6 billion predominantly as a result of higher fair value of Gold and net gains on the defined benefit superannuation plan.

4.14.81 Total assets increased by 14 per cent as the Bank's bond purchase program in response to the COVID-19 pandemic continued during the year until February 2022. The Bank's Australian dollar investments has grown from $98.0 billion at 30 June 2019, prior to COVID-19, to $538 billion at 30 June 2022. Total liabilities increased mainly due to higher Exchange Settlement Accounts balances of banks.

Key areas of financial risk

4.14.82 The ANAO completed appropriate audit procedures on all material items. The ANAO also assessed the IT general and application controls for key systems that support the preparation of RBA's financial statements. The ANAO focused audit effort on those specific areas that are assessed as having a higher risk of material misstatements. Areas highlighted for specific audit coverage in 2021–22 are provided below in Table 4.14.27, including which areas were considered key audit matters (KAM) by the ANAO. No significant or moderate audit findings were identified relating to these key areas of risk.

Table 4.14.27: Key areas of financial statements risk

Relevant financial statements item	Key area of risk	Audit risk rating	Factors contributing to the risk assessment
Australian dollar investment $538.1 billion Foreign currency investments $66.5 billion Net loss on security and foreign exchange $44.9 billion	Valuation of Australian dollar securities and foreign currency investments KAM	**Higher**	• complexity in determining the fair value of a range of investments and securities; and • significant financial impact from any fluctuations in the value of the Australian dollar.
Australian banknotes on issue $102.3 billion	Accuracy of the liability for the Australian banknotes	**Higher**	• the accuracy of the liability for Australian banknotes on issue is dependent on the assumption that legal tender status is retained by all Australian notes on issue; and • significant financial impact from any fluctuations in the value of the Australian dollar supply and security of banknotes.

Source: ANAO 2021–22 audit results, and RBA's audited financial statements for the year ended 30 June 2022.

Audit results

4.14.83 There were no significant or moderate audit findings arising from the 2020–21 or 2021–22 financial statements audits.

Grant Hehir
Auditor-General

Canberra ACT
14 December 2022

Appendices

Appendix 1 Listing of entities by portfolio

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Agriculture, Water and the Environment portfolio									
Department of Agriculture, Water and the Environment	**Yes**	Moderate	✓	8 Sept 22	8 Sept 22	◆	6 Oct 22	25 Oct 22	28 Oct 22
– Natural Heritage Trust of Australia	No	Low	✓	8 Sept 22	8 Sept 22	Nil	N/A	N/A	
Australian Fisheries Management Authority	No	Low	✓	6 Sept 22	6 Sept 22	Nil	4 Nov 22	22 Nov 22	
Australian Pesticides and Veterinary Medicines Authority	No	Low	✓	7 Sept 22	7 Sept 22	Nil	7 Sept 22	21 Oct 22	
Bureau of Meteorology	**Yes**	Low	✓	1 Sept 22	1 Sept 22	Nil	21 Sept 22	20 Oct 22	
Cotton Research and Development Corporation	No	Low	✓	31 Aug 22	1 Sept 22	Nil	30 Sept 22	21 Oct 22	
Director of National Parks	No	Moderate	✓	16 Sept 22	16 Sept 22	Nil	7 Oct 22	25 Oct 22	
Fisheries Research and Development Corporation	No	Low	✓	18 Aug 22	22 Aug 22	Nil	18 Aug 22	25 Oct 22	
Grains Research and Development Corporation	No	Low	✓	16 Sept 22	16 Sept 22	Nil	7 Oct 22	28 Oct 22	
– Grains Australia Limited	No	Low	▬	▬	▬	▬	N/A	N/A	
– Wheat Quality Australia	No	Low	▬	▬	▬	▬	N/A	N/A	
Great Barrier Reef Marine Park Authority	No	Low	✓	2 Sept 22	2 Sept 22	Nil	20 Sept 22	17 Oct 22	
Murray-Darling Basin Authority	No	Low	✓	21 Sept 22	21 Sept 22	Nil	10 Oct 22	27 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified (a)	Annual report approval date(b)	Annual report tabling date	Senate estimates (c)
Regional Investment Corporation	No	Low	✓	10 Aug 22	10 Aug 22	Nil	25 Aug 22	24 Oct 22	
Rural Industries Research and Development Corporation	No	Low	✓	7 Sept 22	7 Sept 22	Nil	7 Oct 22	27 Oct 22	
Sydney Harbour Federation Trust	No	Low	✓	16 Sept 22	16 Sept 22	Nil	16 Sept 22	3 Nov 22	
– Sydney Harbour Foundation Management Limited	No	Low	✓	30 Aug 22	31 Aug 22	Nil	N/A	N/A	
Wine Australia	No	Low	✓	27 Sept 22	27 Sept 22	Nil	30 Sept 22	3 Nov 22	
Attorney-General's portfolio									
Attorney-General's Department	**Yes**	Moderate	✓	26 Sept 22	27 Sept 22	◆	26 Sept 22	21 Oct 22	
Administrative Appeals Tribunal	No	Moderate	✓	13 Sept 22	15 Sept 22	◆	23 Sept 22	25 Oct 22	
Asbestos Safety and Eradication Agency	No	Low	✓	23 Sept 22	26 Sept 22	Nil	23 Sept 22	27 Oct 22	
Australian Building and Construction Commission	No	Low	✓	6 Sept 22	7 Sept 22	Nil	20 Sept 22	17 Nov 22	
Australian Commission for Law Enforcement Integrity	No	Low	✓	19 Sept 22	19 Sept 22	Nil	28 Sept 22	25 Oct 22	28 Oct 22
Australian Financial Security Authority	No	Moderate	✓	29 Sept 22	30 Sept 22	◆☐	29 Sept 22	19 Oct 22	
Australian Human Rights Commission	No	Low	✓	7 Oct 22	10 Oct 22	☐	7 Oct 22	25 Oct 22	
Australian Law Reform Commission	No	Low	✓	16 Sept 22	19 Sept 22	Nil	2 Oct 22	19 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Coal Mining Industry (Long Service Leave Funding) Corporation	**Yes**	Moderate	✓	13 Sept 22	13 Sept 22	Nil	13 Sept 22	20 Oct 22	
Comcare	**Yes**	Moderate	✓	16 Sept 22	19 Sept 22	Nil	21 Sept 22	25 Oct 22	
Fair Work Commission	No	Low	✓	2 Sept 22	2 Sept 22	Nil	21 Sept 22	26 Oct 22	
Fair Work Ombudsman and Registered Organisations Commission Entity	No	Low	✓	14 Sept 22	14 Sept 22	Nil	21 Sept 22	20 Oct 22	
Federal Court of Australia	No	Low	✓	2 Sept 22	5 Sept 22	Nil	19 Sept 22	19 Oct 22	
High Court of Australia	**Yes**	Low	✓	29 Sept 22	29 Sept 22	Nil	•	•	
National Archives of Australia	**Yes**	Low	✓	23 Sept 22	27 Sept 22	Nil	13 Oct 22	31 Oct 22	
Office of Parliamentary Counsel	No	Low	✓	16 Sept 22	19 Sept 22	Nil	21 Sept 22	19 Oct 22	
Office of the Australian Information Commissioner	No	Low	✓	27 Sept 22	27 Sept 22	Nil	28 Sept 22	19 Oct 22	
Office of the Commonwealth Director of Public Prosecutions	No	Low	✓	11 Oct 22	11 Oct 22	Nil	11 Oct 22	28 Oct 22	
Office of the Commonwealth Ombudsman	No	Low	✓	29 Sept 22	29 Sept 22	Nil	27 Sept 22	19 Oct 22	
Office of the Inspector-General of Intelligence and Security	No	Low	✓	29 Jul 22	29 Jul 22	Nil	27 Sept 22	19 Oct 22	
Safe Work Australia	No	Low	✓	21 Sept 22	23 Sept 22	Nil	23 Sept 22	28 Oct 22	
Seafarer Safety, Rehabilitation and Compensation Authority	No	Low	E	16 Sept 22	19 Sept 22	Nil	16 Sept 22	25 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [a]	Annual report approval date[b]	Annual report tabling date	Senate estimates [c]
Defence portfolio									
Department of Defence	**Yes**	High	✓	29 Sept 22	30 Sept 22	◆▲☐	29 Sept 22	3 Oct 22	8 Nov 22
AAF Company	No	Low	✓	4 Oct 22	4 Oct 22	Nil	4 Oct 22	31 Oct 22	
Army and Air Force Canteen Service	No	Low	✏	✏	✏	✏	✏	✏	
Australian Military Forces Relief Trust Fund	No	Low	✓	29 Jul 22	29 Jul 22	Nil	29 Jul 22	31 Oct 22	
Australian Signals Directorate	**Yes**	Moderate	✓	14 Sept 22	15 Sept 22	Nil	7 Oct 22	27 Oct 22	
Australian Strategic Policy Institute Ltd	No	Low	✓	14 Oct 22	14 Oct 22	Nil	14 Nov 22	•	
Australian War Memorial	**Yes**	Low	✓	19 Aug 22	22 Aug 22	Nil	24 Aug 22	25 Oct 22	
Defence Housing Australia	**Yes**	Moderate	✓	1 Sept 22	2 Sept 22	Nil	30 Sept 22	21 Oct 22	
Department of Veterans' Affairs	**Yes**	Moderate	E	28 Oct 22	1 Nov 22	◆▲☐	28 Oct 22	8 Nov 22	
– Defence Service Homes Insurance Scheme	No	Moderate	✓	6 Oct 22	7 Oct 22	Nil	N/A	N/A	
Royal Australian Air Force Veterans' Residences Trust Fund	No	Low	✓	2 Sept 22	2 Sept 22	◆	2 Sept 22	•	
Royal Australian Air Force Welfare Recreational Company	No	Low	✓	2 Dec 2022	2 Dec 2022	◆	•	•	
Royal Australian Air Force Welfare Trust Fund	No	Low	✏	✏	✏	✏	✏	✏	
Royal Australian Navy Central Canteens Board	No	High	✏	✏	✏	✏	✏	✏	
– Win with Navy Ltd	No	Low	✏	✏	✏	✏	N/A	N/A	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified (a)	Annual report approval date(b)	Annual report tabling date	Senate estimates (c)
Royal Australian Navy Relief Trust Fund	No	Low	✓	5 Aug 22	5 Aug 22	□	5 Aug 22	31 Oct 22	
Education, Skills and Employment portfolio									
Department of Education, Skills and Employment	**Yes**	Moderate	✓	2 Sept 22	2 Sept 22	◆	19 Sept 22	25 Oct 22	8 Nov 22
Australian Curriculum, Assessment and Reporting Authority	No	Low	✓	24 Aug 22	29 Aug 22	Nil	24 Aug 22	24 Oct 22	
Australian Institute for Teaching and School Leadership Limited	No	Low	✓	25 Aug 22	26 Aug 22	Nil	25 Aug 22	19 Oct 22	
Australian National University	No	Moderate	✓☞	8 Apr 22	8 Apr 22	Nil	8 Apr 22	6 Sep 22	
– ANU Enterprise Pty Limited	No	Low	✓☞	31 Mar 22	4 Apr 22	Nil	N/A	N/A	
– Australian Scientific Instruments Pty Ltd	No	Low	✓☞	31 Mar 22	4 Apr 22	Nil	N/A	N/A	
– Social Research Centre Pty Limited	No	Low	✓☞	30 Mar 22	4 Apr 22	Nil	N/A	N/A	
Australian Research Council	**Yes**	Low	✓	28 Sept 22	29 Sept 22	Nil	7 Oct 22	25 Oct 22	
Australian Skills Quality Authority	No	Low	✓	15 Sept 22	16 Sept 22	Nil	11 Oct 22	26 Oct 22	
Tertiary Education Quality and Standards Agency	No	Low	✓	5 Sept 22	8 Sept 22	Nil	5 Oct 22	25 Oct 22	
Finance portfolio									
Department of Finance	**Yes**	Moderate	✓	15 Sept 22	15 Sept 22	Nil	7 Oct 22	26 Oct 22	7 Nov 22
ASC Pty Ltd	**Yes**	Moderate	✓	29 Aug 22	29 Aug 22	Nil	30 Sept 22	19 Oct 22	
– ASC AWD Shipbuilder Pty Ltd	No	Low	✓	29 Aug 22	29 Aug 22	Nil	N/A	N/A	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date [(b)]	Annual report tabling date	Senate estimates [(c)]
– ASC OPV Pty Ltd	No	Moderate	✓	29 Aug 22	29 Aug 22	Nil	N/A	N/A	
Australian Defence Force Super	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	N/A	N/A	
Australian Electoral Commission	No	Low	✓	24 Aug 22	26 Aug 22	Nil	29 Sept 22	26 Oct 22	
Australian Naval Infrastructure Pty Ltd	**Yes**	Moderate	✓	14 Sept 22	14 Sept 22	Nil	14 Sept 22	3 Nov 22	
Commonwealth Superannuation Corporation	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	28 Sept 22	25 Oct 22	
Commonwealth Superannuation Scheme	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	N/A	N/A	
Future Fund Management Agency	**Yes**	Moderate	✓	28 Sept 22	29 Sept 22	Nil	28 Sept 22	25 Oct 22	
Independent Parliamentary Expenses Authority	No	Low	✓	30 Sept 22	4 Oct 22	Nil	6 Oct 22	25 Oct 22	
Military Superannuation and Benefits Scheme	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	N/A	N/A	
Public Sector Superannuation Accumulation Plan	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	N/A	N/A	
Public Sector Superannuation Scheme	No	Moderate	✓	28 Sept 22	28 Sept 22	Nil	N/A	N/A	
Foreign Affairs portfolio									
Department of Foreign Affairs and Trade	**Yes**	Moderate	✓	2 Sept 22	5 Sept 22	Nil	26 Sept 22	25 Oct 22	8 Nov 22
Australian Centre for International Agricultural Research	No	Low	✓	16 Sept 22	16 Sept 22	Nil	12 Oct 22	7 Nov 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [a]	Annual report approval date[b]	Annual report tabling date	Senate estimates [c]
Australian Secret Intelligence Service	No	Moderate	✏	✏	✏	✏	✏	✏	
Australian Trade and Investment Commission	No	Low	✓	30 Aug 22	30 Aug 22	Nil	30 Sept 22	25 Oct 22	
Export Finance Australia	**Yes**	Moderate	✓	30 Aug 22	30 Aug 22	Nil	26 Sept 22	27 Oct 22	
Tourism Australia	No	Low	✓	26 Aug 22	26 Aug 22	Nil	14 Oct 22	28 Oct 22	
Health portfolio									
Department of Health	**Yes**	Moderate	✓	30 Aug 22	1 Sept 22	◆ ☐	3 Oct 22	27 Oct 22	8 Nov 22
Aged Care Quality and Safety Commission	No	Moderate	✓	19 Sept 22	20 Sept 22	Nil	10 Oct 22	25 Oct 22	
Australian Commission on Safety and Quality in Health Care	No	Low	✓	7 Sept 22	7 Sept 22	Nil	7 Sept 22	25 Oct 22	
Australian Digital Health Agency	No	High	✓	27 Sept 22	27 Sept 22	Nil	29 Sept 22	25 Oct 22	
Australian Institute of Health and Welfare	No	Low	✓	23 Sept 22	23 Sept 22	Nil	23 Sept 22	27 Oct 22	
Australian National Preventative Health Agency	No	Low	✓	30 Aug 22	31 Aug 22	Nil	3 Oct 22	27 Oct 22	
Organ and Tissue Authority	No	Low	✓	21 Sept 22	26 Sept 22	Nil	10 Oct 22	25 Oct 22	
Australian Radiation Protection and Nuclear Safety Agency	No	Low	✓	26 Sept 22	26 Sept 22	Nil	11 Oct 22	24 Oct 22	
Australian Sports Commission	No	Moderate	✓	25 Aug 22	26 Aug 22	Nil	4 Oct 22	27 Oct 22	
Australian Sports Foundation Limited	No	Low	✓	14 Sept 22	15 Sept 22	Nil	14 Oct 22	28 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified (a)	Annual report approval date(b)	Annual report tabling date	Senate estimates (c)
– Australian Sports Foundation Charitable Trust	No	Low	✓	14 Sept 22	15 Sept 22	Nil	N/A	N/A	
Cancer Australia	No	Low	✓	8 Sept 22	9 Sept 22	Nil	5 Oct 22	25 Oct 22	
Food Standards Australia New Zealand	No	Low	✓	29 Sept 22	30 Sept 22	Nil	4 Oct 22	25 Oct 22	
Independent Hospital Pricing Authority	No	Low	✓	14 Sept 22	14 Sept 22	Nil	23 Sept 22	25 Oct 22	
National Blood Authority	**Yes**	Low	✓	6 Sept 22	6 Sept 22	Nil	23 Sept 22	27 Oct 22	
National Health and Medical Research Council	**Yes**	Low	✓	31 Aug 22	31 Aug 22	Nil	8 Sept 22	13 Oct 22	
National Health Funding Body	No	Low	✓	21 Sept 22	21 Sept 22	Nil	23 Sept 22	25 Oct 22	
National Mental Health Commission	No	Low	✓	7 Oct 22	7 Oct 22	Nil	27 Oct 22	10 Nov 22	
Professional Services Review Scheme	No	Low	✓	29 Sept 22	29 Sept 22	Nil	19 Oct 22	25 Oct 22	
Sport Integrity Australia	No	Low	✓	12 Sept 22	12 Sept 22	Nil	14 Oct 22	3 Nov 22	
Home Affairs portfolio									
Department of Home Affairs	**Yes**	High	✓	9 Sept 22	9 Sept 22	Nil	8 Sept 22	21 Oct 22	28 Oct 22
Australian Criminal Intelligence Commission	No	Low	✓	21 Sept 22	23 Sept 22	Nil	16 Sept 22	19 Oct 22	
Australian Federal Police	**Yes**	Moderate	✓	12 Sept 22	12 Sept 22	☐	12 Sept 22	21 Oct 22	
Australian Institute of Criminology	No	Low	✓	21 Sept 22	23 Sept 22	Nil	27 Sept 22	19 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Australian Security and Intelligence Organisation	**Yes**	Moderate	✓	22 Sept 22	23 Sept 22	Nil	18 Oct 22	25 Oct 22	
Australian Transaction Reports and Analysis Centre	No	Low	✓	12 Sept 22	12 Sept 22	Nil	8 Sept 22	21 Oct 22	
Office of the Special Investigator	No	Low	✓	10 Oct 22	10 Oct 22	Nil	10 Oct 22	21 Oct 22	
Industry, Science, Energy and Resources portfolio									
Department of Industry, Science, Energy and Resources	**Yes**	Moderate	✓	19 Sept 22	20 Sept 22	Nil	14 Oct 22	27 Oct 22	8 Nov 22
Australian Institute of Marine Science	No	Low	✓	29 Aug 22	29 Aug 22	Nil	23 Sept 22	27 Oct 22	
Australian Nuclear Science and Technology Organisation	**Yes**	Moderate	✓	16 Sept 22	16 Sept 22	▲☐	11 Oct 22	27 Oct 22	
– ANSTO Nuclear Medicine Pty Ltd	**Yes**[(d)]	Moderate	E	16 Sept 22	16 Sept 22	Nil	N/A	N/A	
– PETTECH Solutions Pty Ltd	No	Low	✓	16 Sept 22	16 Sept 22	Nil	N/A	N/A	
Australian Renewable Energy Agency	No	Low	✓	20 Sept 22	23 Sept 22	Nil	20 Sept 22	27 Oct 22	
Clean Energy Finance Corporation	**Yes**	Moderate	✓	25 Aug 22	25 Aug 22	Nil	27 Sept 22	26 Oct 22	28 Oct 22
– Clean Energy Investment Management Pty Ltd	No	Low	✓	25 Aug 22	25 Aug 22	Nil	N/A	N/A	
Clean Energy Regulator	No	Moderate	✓	27 Sept 22	27 Sept 22	◆	27 Sept 22	24 Oct 22	
Climate Change Authority	No	Low	✓	23 Sept 22	23 Sept 22	Nil	26 Sept 22	25 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Commonwealth Scientific and Industrial Research Organisation	**Yes**	Moderate	✓	2 Sept 22	2 Sept 22	Nil	2 Sept 22	21 Oct 22	
– CSIRO Custodial Services Pty Ltd	No	Low	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO Financial Services	No	Moderate	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO General Partner Co Pty Ltd	**Yes**[(e)]	Low	✓	18 Aug 22	18 Aug 22	Nil	N/A	N/A	
– CSIRO Innovation Co-Investment Fund	No	Low	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO Innovation Fund 1	No	Moderate	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO Innovation Fund 2	No	Moderate	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO Innovation Follow-on-Fund 1	No	Low	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– CSIRO Innovation Follow-on-Fund 2	No	Low	✓	5 Aug 22	5 Aug 22	Nil	N/A	N/A	
– National ICT Australia Limited	No	Low	✓	8 Sept 22	8 Sept 22	Nil	N/A	N/A	
– Science and Industry Endowment Fund	No	Low	✓	6 Sept 22	6 Sept 22	Nil	N/A	N/A	
Geoscience Australia	**Yes**	Low	✓	30 Aug 22	31 Aug 22	Nil	14 Sept 22	26 Oct 22	8 Nov 22
IP Australia	No	Low	✓	27 Sept 22	29 Sept 22	Nil	14 Oct 22	26 Oct 22	
National Offshore Petroleum Safety and Environmental Management Authority	No	Low	✓	21 Sept 22	21 Sept 22	Nil	21 Sept 22	20 Oct 22	
Snowy Hydro Limited	**Yes**	Moderate	✓	31 Aug 22	31 Aug 22	Nil	31 Aug 22	24 Oct 22	28 Oct 22

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Infrastructure, Transport, Regional Development and Communications Portfolio									
Department of Infrastructure, Transport, Regional Development and Communications	**Yes**	Moderate	✓	20 Sept 22	23 Sept 22	◆	1 Oct 22	27 Oct 22	28 Oct 22
Airservices Australia	**Yes**	Moderate	✓	23 Sept 22	27 Sept 22	Nil	23 Sept 22	26 Oct 22	
Australian Broadcasting Corporation	**Yes**	Moderate	✓	24 Aug 22	24 Aug 22	Nil	12 Sept 22	20 Oct 22	7 Nov 22
Australian Communications and Media Authority	**Yes**	Low	✓	9 Sept 22	9 Sept 22	Nil	19 Sept 22	26 Oct 22	
Australia Council	No	Low	✓	30 Aug 22	30 Aug 22	Nil	30 Aug 22	19 Oct 22	
Australian Film, Television and Radio School	No	Low	✓	9 Sept 22	13 Sept 22	Nil	9 Sept 22	27 Oct 22	
Australian Maritime Safety Authority	No	Low	✓	21 Sept 22	21 Sept 22	Nil	21 Sept 22	27 Oct 22	28 Oct 22
Australian National Maritime Museum	No	Low	✓	29 Sept 22	4 Oct 22	Nil	28 Sept 22	27 Oct 22	
– Australian National Maritime Foundation	No	Low	✓	28 Sept 22	4 Oct 22	Nil	N/A	N/A	
Australian Postal Corporation	**Yes**	Moderate	✓	25 Aug 22	25 Aug 22	Nil	28 Oct 22	28 Oct 22	
– Australia Post Licensee Advisory Council Limited	No	Low	✓	30 Aug 22	30 Aug 22	Nil	N/A	N/A	
– Australia Post Services Pty Ltd	No	Low	✓	15 Sept 22	15 Sept 22	Nil	N/A	N/A	
– Australia Post Transaction Services Pty Ltd	No	Moderate	✓	15 Sept 22	15 Sept 22	Nil	N/A	N/A	

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<tr><th>Reporting entity</th><th>Material entity</th><th>Audit risk rating</th><th>Type of auditor's report</th><th>Date financial statements signed</th><th>Date auditor's report issued</th><th>Audit findings identified [(a)]</th><th>Annual report approval date[(b)]</th><th>Annual report tabling date</th><th>Senate estimates [(c)]</th></tr>
<tr><td>Australian Rail Track Corporation</td><td>Yes</td><td>High</td><td>✓</td><td>20 Sept 22</td><td>21 Sept 22</td><td>Nil</td><td>20 Sept 22</td><td>25 Oct 22</td><td rowspan="8"></td></tr>
<tr><td>Australian Transport Safety Bureau</td><td>No</td><td>Low</td><td>✓</td><td>28 Sept 22</td><td>28 Sept 22</td><td>Nil</td><td>28 Sept 22</td><td>14 Oct 22</td></tr>
<tr><td>Bundanon Trust</td><td>No</td><td>High</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr>
<tr><td>Civil Aviation Safety Authority</td><td>No</td><td>Low</td><td>✓</td><td>24 Aug 22</td><td>24 Aug 22</td><td>Nil</td><td>27 Sept 22</td><td>25 Oct 22</td></tr>
<tr><td>Creative Partnerships Australia Ltd</td><td>No</td><td>Low</td><td>✓</td><td>30 Aug 22</td><td>31 Aug 22</td><td>Nil</td><td>27 Sept 22</td><td>3 Nov 22</td></tr>
<tr><td>Infrastructure Australia</td><td>No</td><td>Low</td><td>✓</td><td>8 Sept 22</td><td>8 Sept 22</td><td>Nil</td><td>8 Sept 22</td><td>27 Oct 22</td></tr>
<tr><td>National Capital Authority</td><td>Yes</td><td>Low</td><td>✓</td><td>29 Aug 22</td><td>30 Aug 22</td><td>Nil</td><td>13 Oct 22</td><td>3 Nov 22</td></tr>
<tr><td>National Faster Rail Agency</td><td>No</td><td>Low</td><td>✓</td><td>8 Aug 22</td><td>8 Aug 22</td><td>Nil</td><td>19 Sept 22</td><td>26 Oct 22</td></tr>
<tr><td>National Film and Sound Archive of Australia</td><td>No</td><td>Low</td><td>✓</td><td>11 Oct 22</td><td>13 Oct 22</td><td>Nil</td><td>6 Oct 22</td><td>3 Nov 22</td><td rowspan="3">7 Nov 22</td></tr>
<tr><td>National Gallery of Australia</td><td>Yes</td><td>Moderate</td><td>✓</td><td>17 Aug 22</td><td>17 Aug 22</td><td>Nil</td><td>28 Sept 22</td><td>8 Nov 22</td></tr>
<tr><td>– National Gallery of Australia Foundation</td><td>No</td><td>Low</td><td>✓</td><td>17 Aug 22</td><td>17 Aug 22</td><td>Nil</td><td>N/A</td><td>N/A</td></tr>
<tr><td>National Intermodal Company Limited</td><td>Yes</td><td>High</td><td>✓</td><td>29 Aug 22</td><td>29 Aug 22</td><td>Nil</td><td>28 Aug 22</td><td>28 Oct 22</td><td rowspan="3">28 Oct 22</td></tr>
<tr><td>– Moorebank Intermodal Development Investment Trust</td><td>No</td><td>Moderate</td><td>✓</td><td>29 Aug 22</td><td>29 Aug 22</td><td>Nil</td><td>N/A</td><td>N/A</td></tr>
<tr><td>– Moorebank Intermodal Development Rail Trust</td><td>No</td><td>Moderate</td><td>✓</td><td>29 Aug 22</td><td>29 Aug 22</td><td>Nil</td><td>N/A</td><td>N/A</td></tr>
<tr><td>National Library of Australia</td><td>Yes</td><td>Low</td><td>✓</td><td>15 Aug 22</td><td>15 Aug 22</td><td>Nil</td><td>12 Aug 22</td><td>28 Oct 22</td><td rowspan="2">7 Nov 22</td></tr>
<tr><td>National Museum of Australia</td><td>No</td><td>Low</td><td>✓</td><td>1 Sept 22</td><td>1 Sept 22</td><td>Nil</td><td>1 Sept 22</td><td>27 Oct 22</td></tr>
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Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
National Portrait Gallery of Australia	No	Low	✓	30 Sept 22	30 Sept 22	Nil	30 Sept 22	28 Oct 22	
National Transport Commission	No	Low	✓	19 Aug 22	22 Aug 22	Nil	7 Sept 22	13 Oct 22	28 Oct 22
NBN Co Limited	**Yes**	High	✓	4 Aug 22	4 Aug 22	Nil	4 Aug 22	27 Sept 22	
North Queensland Water Infrastructure Authority	No	Low	✓	10 Aug 22	10 Aug 22	Nil	29 Sept 22	21 Oct 22	
Northern Australia Infrastructure Facility	No	Low	✓	21 Sept 22	23 Sept 22	Nil	13 Oct 22	26 Oct 22	
Screen Australia	No	Low	✓	22 Aug 22	22 Aug 22	Nil	22 Aug 22	31 Oct 22	7 Nov 22
Special Broadcasting Service Corporation	No	Low	✓	31 Aug 22	31 Aug 22	Nil	31 Aug 22	20 Oct 22	
WSA Co Limited	**Yes**	Moderate	✓	19 Aug 22	22 Aug 22	Nil	19 Aug 22	25 Oct 22	28 Oct 22
Parliamentary Departments									
Department of Parliamentary Services	**Yes**	Moderate	✓	19 Sept 22	21 Sept 22	☐	19 Sept 22	26 Oct 22	7 Nov 22
Department of the House of Representatives[(f)]	No	Low	✓	30 Sept 22	30 Sept 22	Nil	14 Oct 22	25 Oct 22	
Department of the Senate	No	Low	✓	30 Sept 22	30 Sept 22	Nil	11 Oct 22	13 Oct 22	
Parliamentary Budget Office	No	Low	✓	13 Sept 22	15 Sept 22	Nil	14 Oct 22	14 Oct 22	
Prime Minister and Cabinet portfolio									
Department of the Prime Minister and Cabinet	**Yes**	Moderate	✓	13 Sept 22	15 Sept 22	Nil	13 Sept 22	25 Oct 22	28 Oct 22
– Aboriginals Benefit Account	No	Moderate	✓	14 Sept 22	16 Sept 22	Nil	N/A	N/A	
Aboriginal Hostels Limited	No	Moderate	✓	28 Sept 22	29 Sept 22	Nil	28 Sept 22	26 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
Anindilyakwa Land Council	No	Low	✎	✎	✎	✎	✎	✎	
Australian Institute of Aboriginal and Torres Strait Islander Studies	No	Low	✓	9 Sept 22	12 Sept 22	Nil	13 Oct 22	27 Oct 22	
Australian Public Service Commission	No	Low	✓	26 Sept 22	27 Sept 22	Nil	19 Oct 22	28 Oct 22	
Central Land Council	No	Low	✓	29 Aug 22	30 Aug 22	Nil	13 Oct 22	7 Nov 22	
Digital Transformation Agency	No	Low	✓	5 Oct 22	6 Oct 22	Nil	6 Oct 22	25 Oct 22	
Indigenous Business Australia	**Yes**	Moderate	✓	27 Sept 22	28 Sept 22	Nil	27 Sept 22	3 Nov 22	
– Gagudju Crocodile Hotel Trust	No	Low	E	29 Sept 22	29 Sept 22	Nil	N/A	N/A	
– Gagudju Lodge Cooinda Trust	No	Low	✓	29 Sept 22	30 Sept 22	Nil	N/A	N/A	
– Tennant Food Barn	No	Low	✓	19 Sept 22	19 Sept 22	Nil	N/A	N/A	
– Darwin Hotel Partnership	No	Low	✓	20 Sept 22	20 Sept 22	Nil	N/A	N/A	
– IBA Retail Asset Management Pty Ltd	No	Low	✓	14 Sept 22	14 Sept 22	Nil	N/A	N/A	
– IBA Retail Property Trust	No	Low	✓	30 Sept 22	30 Sept 22	Nil	N/A	N/A	
– Ikara Wilpena Enterprises Pty Ltd	No	Low	✓	15 Sept 22	15 Sept 22	Nil	N/A	N/A	
– Ikara Wilpena Holdings Trust	No	Low	✓	6 Sept 22	6 Sept 22	Nil	N/A	N/A	
– Indigenous Economic Development Trust	No	Low	✓	6 Sept 22	6 Sept 22	Nil	N/A	N/A	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
– Indigenous Prosperity Fund – Growth Fund	No	Low	✓	16 Sept 22	16 Sept 22	Nil	N/A	N/A	
– Indigenous Prosperity Fund – Income Fund	No	Low	✓	16 Sept 22	16 Sept 22	Nil	N/A	N/A	
– Indigenous Real Estate Investment Trust	No	Low	✓	26 Sept 22	26 Sept 22	Nil	N/A	N/A	
– Kakadu Tourism (GCH) Pty Ltd	No	Moderate	✓	29 Sept 22	29 Sept 22	Nil	N/A	N/A	
– Kakadu Tourism (GLC) Pty Ltd	No	Moderate	✓	20 Sept 22	20 Sept 22	Nil	N/A	N/A	
– Northam Solar Project Partnership	No	Low	E	29 Sept 22	29 Sept 22	Nil	N/A	N/A	
– Performance Bond Fund Trust	No	Low	✓	6 Sept 22	6 Sept 22	Nil	N/A	N/A	
– Tennant Creek Land Holding Trust	No	Low	E	30 Sept 22	30 Sept 22	Nil	N/A	N/A	
Indigenous Land and Sea Corporation	**Yes**	Moderate	✓	16 Sept 22	19 Sept 22	Nil	20 Sept 22	4 Nov 22	
– National Centre of Indigenous Excellence Limited	No	Moderate	✓	15 Sept 22	15 Sept 22	Nil	N/A	N/A	
– Primary Partners Pty Ltd	No	Moderate	✓	8 Sept 22	9 Sept 22	Nil	N/A	N/A	
– Voyages Indigenous Tourism Australia Pty Ltd	**Yes**[(g)]	High	✓	16 Sept 22	19 Sept 22	Nil	N/A	N/A	
National Australia Day Council Limited	No	Low	Q	18 Oct 22	19 Oct 22	Nil	18 Oct 22	27 Oct 22	
National Indigenous Australians Agency	**Yes**	Moderate	✓	14 Sept 22	16 Sept 22	Nil	13 Oct 22	27 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
National Recovery and Resilience Agency	No	Low	✓	26 Sept 22	28 Sept 22	Nil	28 Sept 22	24 Oct 22	
Northern Land Council	No	Moderate	✓	30 Sept 22	30 Sept 22	▲	14 Oct 22	10 Nov 22	
– North Australian Aboriginal Corporation	No	Low	✓	26 Oct 22	26 Oct 22	Nil	N/A	N/A	
– Northern Australian Aboriginal Charitable Trust	No	Low	✓	26 Oct 22	26 Oct 22	Nil	N/A	N/A	
Office of National Intelligence	No	Low	✓	12 Oct 22	12 Oct 22	Nil	N/A	N/A	
Office of the Official Secretary to the Governor-General	No	Low	✓	6 Oct 22	6 Oct 22	Nil	6 Oct 22	21 Oct 22	
Old Parliament House	No	Low	✓	25 Aug 22	26 Aug 22	Nil	25 Aug 22	31 Oct 22	
Outback Stores Pty Ltd	No	Low	✓	1 Sept 22	2 Sept 22	Nil	2 Sept 22	•	
Tiwi Land Council	No	Low	✎	✎	✎	✎	✎	✎	
Torres Strait Regional Authority	No	Low	✓	7 Sept 22	7 Sept 22	Nil	•	•	
Workplace Gender Equality Agency	No	Low	✓	31 Aug 22	2 Sept 22	Nil	•	•	
Wreck Bay Aboriginal Community Council	No	Low	✓	20 Oct 22	28 Oct 22	Nil	•	•	
Social Services portfolio									
Department of Social Services	**Yes**	Moderate	✓	5 Sept 22	5 Sept 22	▲	19 Oct 22	28 Oct 22	8 Nov 22
Australian Hearing Services	**Yes**	Low	✓	18 Aug 22	19 Aug 22	Nil	28 Sept 22	27 Oct 22	
Australian Institute of Family Studies	No	Low	✓	12 Sept 22	13 Sept 22	Nil	15 Sept 22	27 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [a]	Annual report approval date[b]	Annual report tabling date	Senate estimates [c]
National Disability Insurance Agency	**Yes**	Moderate	✓	15 Sept 22	16 Sept 22	▲	15 Sept 22	4 Nov 22	
NDIS Quality and Safeguard Commission	No	Low	✓	5 Oct 22	5 Oct 22	◆	14 Oct 22	3 Nov 22	
Services Australia	**Yes**	Moderate	✓	30 Aug 22	30 Aug 22	☐	30 Sept 22	17 Oct 22	
Treasury portfolio									
Department of the Treasury	**Yes**	Moderate	✓	14 Sept 22	14 Sept 22	◆	6 Oct 22	27 Oct 22	8 Nov 22
Australian Bureau of Statistics	**Yes**	Low	✓	26 Aug 22	26 Aug 22	Nil	27 Sept 22	26 Oct 22	
Australian Competition and Consumer Commission	No	Low	✓	25 Sept 22	26 Sept 22	Nil	20 Sept 22	19 Oct 22	
Australian Office of Financial Management	**Yes**	Moderate	✓	24 Aug 22	25 Aug 22	Nil	21 Sept 22	13 Oct 22	
Australian Prudential Regulation Authority	**Yes**	Low	✓	16 Aug 22	18 Aug 22	Nil	26 Sept 22	20 Oct 22	
Australian Reinsurance Pool Corporation	**Yes**	Moderate	✓	20 Sept 22	20 Sept 22	Nil	20 Sept 22	27 Oct 22	
Australian Securities and Investments Commission	**Yes**	Moderate	✓	17 Aug 22	17 Aug 22	Nil	14 Oct 22	14 Oct 22	
Australian Taxation Office	**Yes**	High	✓	20 Sept 22	20 Sept 22	◆☐	10 Oct 22	31 Oct 22	
Commonwealth Grants Commission	No	Low	✓	31 Aug 22	31 Aug 22	Nil	29 Sept 22	27 Oct 22	
Inspector–General of Taxation	No	Low	✓	19 Sept 22	19 Sept 22	Nil	29 Sept 22	27 Oct 22	
National Competition Council	No	Low	✓	12 Sept 22	13 Sept 22	Nil	12 Sept 22	21 Oct 22	

Reporting entity	Material entity	Audit risk rating	Type of auditor's report	Date financial statements signed	Date auditor's report issued	Audit findings identified [(a)]	Annual report approval date[(b)]	Annual report tabling date	Senate estimates [(c)]
National Housing Finance and Investment Corporation	**Yes**	Moderate	✓	29 Aug 22	29 Aug 22	Nil	21 Sept 22	27 Oct 22	
Office of the Auditing and Assurance Standards Board	No	Low	✓	26 Sept 22	27 Sept 22	Nil	26 Sept 22	27 Oct 22	
Office of the Australian Accounting Standards Board	No	Low	✓	26 Sept 22	27 Sept 22	Nil	26 Sept 22	27 Oct 22	
Productivity Commission	No	Low	✓	25 Aug 22	25 Aug 22	Nil	17 Sept 22	27 Oct 22	
Reserve Bank of Australia	**Yes**	Moderate	✓	7 Sept 22	7 Sept 22	Nil	29 Sept 22	27 Oct 22	
– Note Printing Australia Ltd	No	Low	✓	25 Jul 22	25 Jul 22	Nil	N/A	N/A	
Royal Australian Mint	No	Moderate	✓	21 Sept 22	21 Sept 22	Nil	23 Sept 22	25 Oct 22	

Note a: These are moderate or significant audit findings identified in prior and current years.

Note b: The date of the accountable authority's approval of the annual report is taken as either the date on the transmittal letter or the date the board approved the annual report.

Note c: This is the first appearance for the portfolio in the 2022–23 budget estimates hearing.

Note d: This entity is classified as material by the Department of Finance. As it is consolidated into a material entity, Australian Nuclear Science and Technology Organisation. It is not discussed separately as a material entity in this report.

Note e: This entity is classified as material by the Department of Finance. As it is consolidated into a material entity, Commonwealth Scientific and Industrial Research Organisation. It is not discussed separately as a material entity in this report.

Note f: The House of Representatives is not required to appear before Senate Estimates.

Note g: This entity is classified as material by the Department of Finance. As it is consolidated into a material entity, Indigenous Land and Sea Corporation. It is not discussed separately as a material entity in this report.

✓: auditor's report not modified

E: auditor's report contains an emphasis of matter

Q: audit report contains qualification

•: annual report not tabled as at 2 December 2022

L: auditor's report contains a reference to other legal; and regulatory requirements relating to an actual; and/or potential breach of section 83 of the Constitution

◆: new significant or moderate findings and/or legislative matters noted

▲: significant or moderate findings and/or legislative matters reported previously not yet resolved

☐: significant or moderate findings and/or legislative matters identified in previous periods, or the 2021–22 interim audit phase, now downgraded or resolved

☞: financial year end date other than 30 June 2022

➨; financial statements not signed as at 2 December 2022

•: annual report not tabled as at 2 December 2022

Appendix 2 Changes in audit responsibilities in 2021–22

22. The following is a listing of new entities that were required to be audited by the Auditor-General. In 2021-22, entities that ceased to be audited by the Auditor-General in 2021–22, entities that had a name change in 2021–22 and entities that have moved between portfolios.

New entities audited in 2021–22

- CSIRO Custodial Services Pty Ltd
- CSIRO Innovation Co-Investment Fund
- CSIRO Innovation Follow-on Fund 2
- Wheat Quality Australia Ltd
- Win with Navy Ltd

Entities that ceased to be audited by the Auditor-General

- Financial Adviser Standards and Ethics Authority Ltd
- Li Ar Land Yalung Holding Trust

Entities that had a name change

2021–22 entity name	Former entity name
National Disability Insurance Agency	National Disability Insurance Launch Transition Agency
National Intermodal Company Limited	Moorebank Intermodal Company Limited
National Recovery and Resilience Agency	The National Drought and North Queensland Flood Response and Recovery Agency
Professional Services Review	Professional Services Review Scheme
Tennant Food Barn	Tennant Creek Foodbarn and Service Station – Partnership Agreement

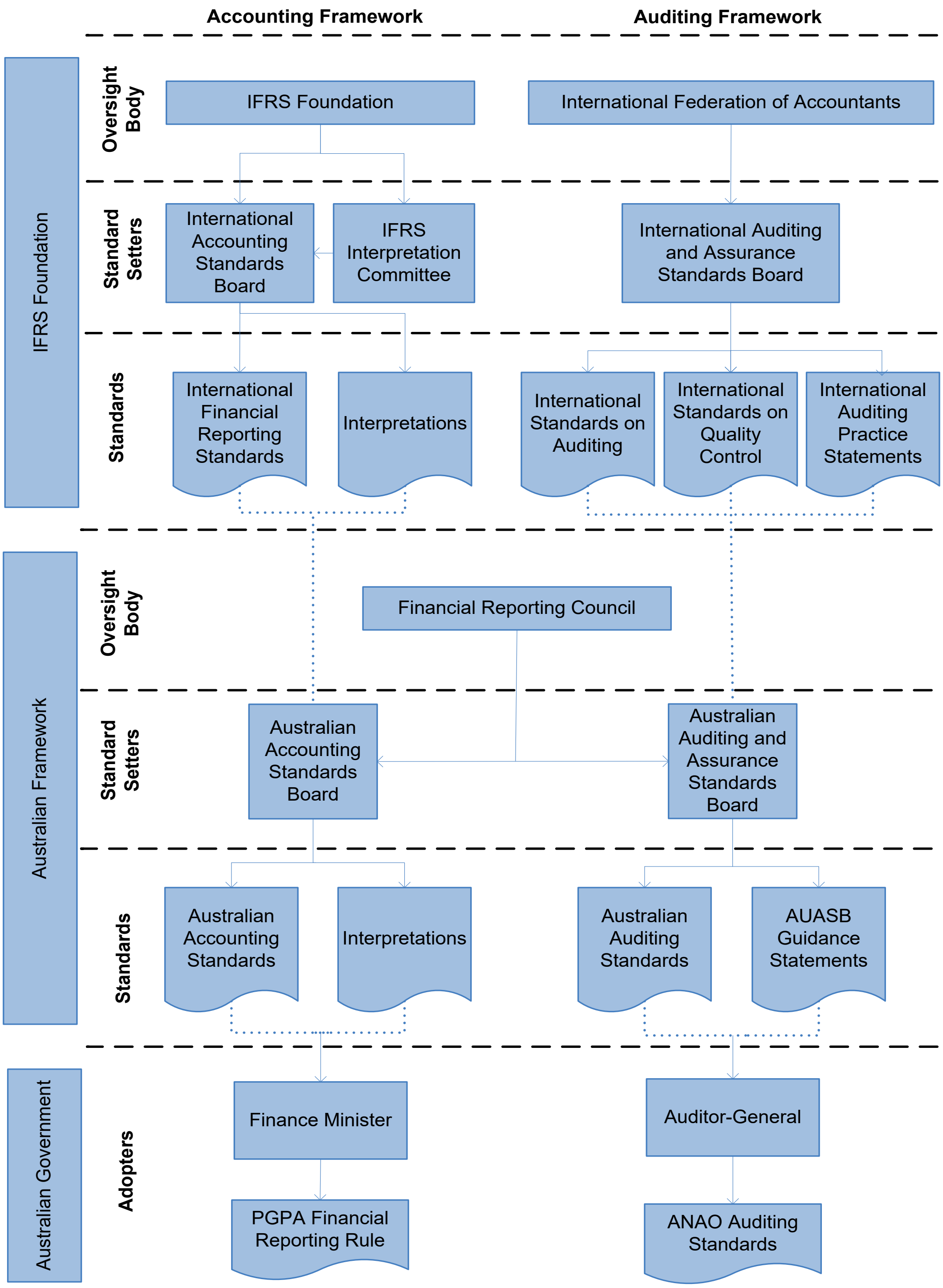
Changes in administrative arrangements

Entity name	2021–22 portfolio	2020–21 portfolio
Northern Australia Infrastructure Facility	Infrastructure, Transport, Regional Development and Communications	Industry, Science, Energy and Resources

Appendix 3 The financial reporting and auditing standards frameworks for 2021–22

The figure below depicts the standard setting framework for financial reporting and auditing, in the Australian Government context.

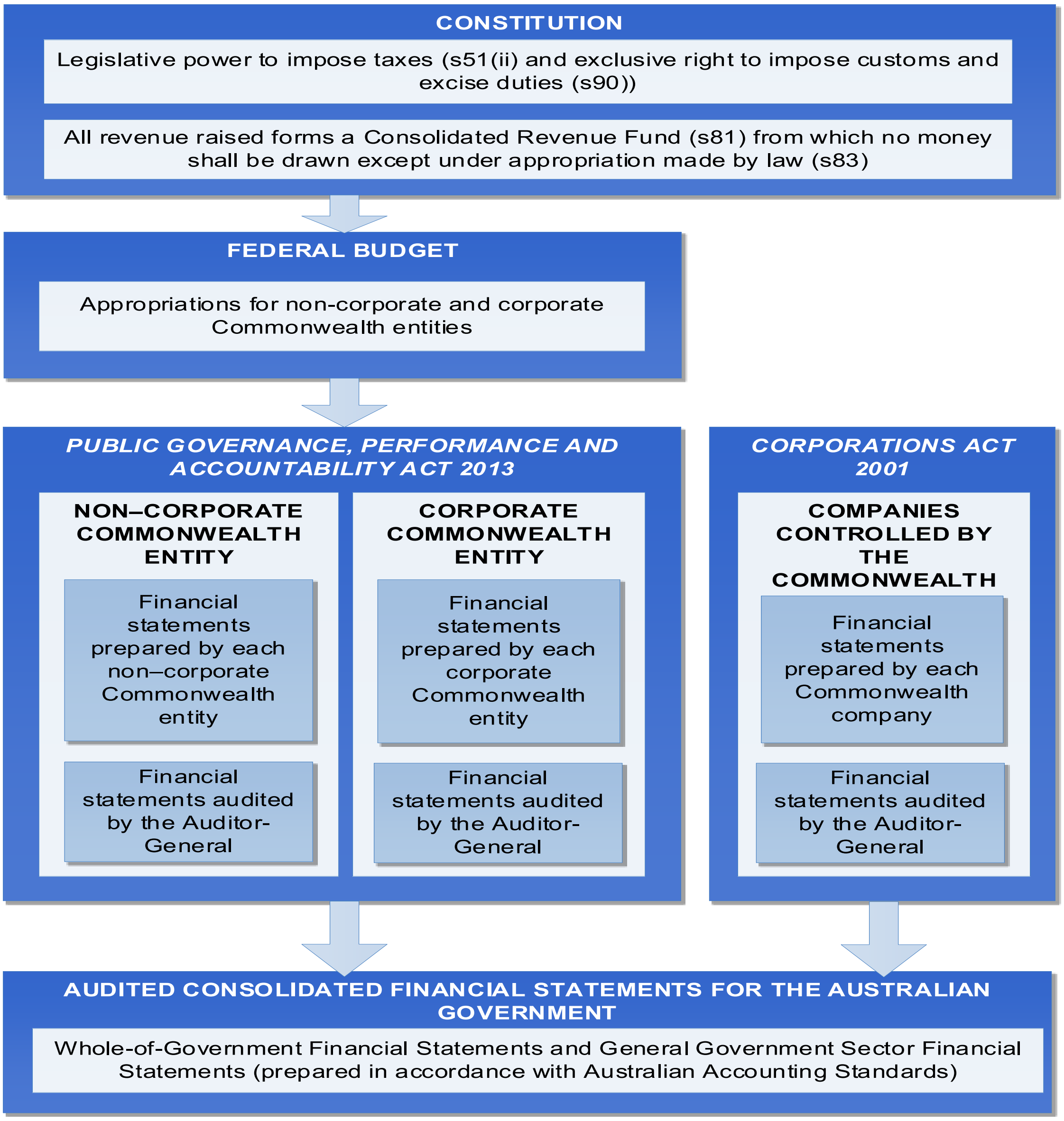
Figure A.1: Australian Government standard setting framework



Appendix 4 The financial reporting and auditing framework for 2021–22 financial statements

1. Key elements of the Australian Government's financial reporting framework are outlined in the diagram below. An overview of the financial reporting requirements for the various types of Australian Government entities covered by the framework and the audit approach for the financial statements of these entities is also described below.

Figure A.2: Australian Government financial reporting framework



Source: ANAO compilation.

Australian Government reporting entities

Commonwealth Government of Australia

2. Section 48 of the *Public Governance, Performance and Accountability Act* (PGPA Act) requires the Minister for Finance to prepare annual consolidated financial statements for the Commonwealth Government of Australia. These financial statements are general purpose financial statements consolidating the financial activities and financial position of Commonwealth entities and other entities controlled by the Commonwealth Government.

3. The PGPA Act prescribes the Australian Accounting Standards (AASs), and any other requirements prescribed by the rules, as the applicable financial reporting framework for the consolidated financial statements.

Commonwealth entities

4. Section 10 of the PGPA Act defines a Commonwealth entity as a department of state, a Parliamentary department, a listed entity or a body corporate of the Commonwealth other than a Commonwealth company. Section 11 of the PGPA Act determines that there are two types of Commonwealth entities: a non-corporate Commonwealth entity, which is a Commonwealth entity that is not a body corporate[118]; and a corporate Commonwealth entity, which is a Commonwealth entity that is a body corporate and legally separate from the Commonwealth.

5. Section 42 of the PGPA Act requires the accountable authority of a Commonwealth entity to prepare annual financial statements that comply with the AASs and any other requirements prescribed by the rules.

6. Resource Management Guide 125: *The Commonwealth Entities Financial Statements Guide* applies to all Commonwealth reporting entities responsible for preparing financial statements under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The guide includes definitions of terms that have been used in this report.

Non-corporate Commonwealth entities

7. Non-corporate Commonwealth entities, comprising departments of state, Parliamentary departments and listed entities, are subject to the provisions of the PGPA Act. In some cases, they also operate under their own enabling legislation.

8. The PGPA Act prescribes the AASs and FRR as the applicable financial reporting framework for non-corporate Commonwealth entities.

Corporate Commonwealth entities and subsidiaries

9. Corporate Commonwealth entities are bodies corporate that hold money on their own account and have been created to perform specific functions. Corporate Commonwealth entities operate under their own enabling legislation and also must comply with the relevant provisions of the PGPA Act.

118 Three entities have a body corporate status but are prescribed as non-corporate Commonwealth entities. These are the Australian Competition and Consumer Commission; the Australian Prudential Regulation Authority; and the Australian Securities and Investments Commission.

10. The PGPA Act prescribes the AASs and FRR as the applicable financial reporting framework for corporate Commonwealth entities. The financial reporting framework applicable to subsidiaries of corporate Commonwealth entities depends on the nature of the subsidiary.

Commonwealth companies and subsidiaries

11. Commonwealth companies are companies that are controlled by the Australian Government through majority share holdings or voting rights, or via control over the composition of the company's board. Commonwealth companies operate and prepare financial statements under the *Corporations Act 2001* (Corporations Act).

12. The applicable financial reporting framework for Commonwealth companies is the Corporations Act, including the AASs and the Corporations Regulations.

13. The financial reporting framework applicable to subsidiaries of Commonwealth companies depends on the nature of the subsidiary.

Other bodies

14. The ANAO also audits the financial statements of other bodies under Commonwealth legislation other than the PGPA Act, including the 'by arrangement' provisions in section 20 of the *Auditor-General Act 1997*. Examples of these other bodies include statutory bodies not established as Commonwealth entities and trusts. The financial reporting framework applicable to these other bodies depends on legislation or other rules that govern that entity.

Audit of Australian Government entity financial statements

Audit scope

15. The accountable authority of a Commonwealth entity is responsible for the preparation and fair presentation of the financial statements and for maintaining records, internal controls, procedures and processes that support the preparation of those statements.

16. The Directors of a Commonwealth company, or a company that is a subsidiary of either a Commonwealth entity or a Commonwealth company, are responsible for the preparation of financial statements that give a true and fair view and for maintaining records, internal controls, procedures and processes that support the preparation of that report.

17. The ANAO's independent audits of financial statements are undertaken to form an opinion whether they are free from material misstatement and present fairly in accordance with applicable accounting standards and legislation. These audits are conducted in accordance with the ANAO Auditing Standards, which incorporate the Australian Auditing Standards and provide reasonable assurance.

18. Audit procedures include an examination of the entity's records and its internal control, information systems, control procedures and statutory disclosure requirements. Evidence supporting the amounts and other information in the statements is examined on a test basis, and accounting policies and significant accounting estimates are evaluated.

19. The entity's internal control relevant to the entity's preparation and fair presentation of the financial statements or reports is considered in order to design audit procedures that are

appropriate in the circumstances. In some audits, audit procedures concentrate primarily on substantiating the amounts appearing in the financial statements and do not include detailed testing of systems and internal controls.

20. The primary responsibility for the prevention and detection of fraud and error rests with both those charged with the governance and the management of an entity. The auditor is not responsible for the prevention or detection of fraud and error.

The auditor’s report on financial statements

21. The ANAO auditor’s report on the financial statements includes a statement of the auditor’s opinion as to whether the financial statements present fairly the entity’s financial position, the results of its operations and its cash flows in accordance with the applicable financial reporting framework.

22. If the auditor is not of that opinion, the auditor’s opinion is modified, with the reasons being indicated.

23. The auditor’s report on the financial statements may also include an ‘emphasis of matter,’ ‘other matter’ or ‘material uncertainty related to going concern’ paragraph. A report on other legal and regulatory requirements may accompany the auditor’s report on the financial statements. The inclusion of these paragraphs does not modify the auditor’s opinion.

Form of auditor’s opinion

24. An auditor’s opinion is described as ‘unmodified’ when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

25. An auditor’s opinion may be ‘modified’ in one of three ways.

- A ‘qualified opinion’ is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material but not pervasive to the financial statements. A ‘qualified opinion’ is also expressed when the auditor, having been unable to obtain sufficient appropriate audit evidence, concludes that the possible effects on the financial statements of undetected misstatements could be material but not pervasive.
- A ‘disclaimer of opinion’ is expressed when the auditor, having been unable to obtain sufficient appropriate audit evidence on which to base the opinion, concludes that the possible effects on the financial statements of undetected misstatements could be both material and pervasive. A ‘disclaimer of opinion’ is also expressed when the auditor, having been able to obtain sufficient appropriate audit evidence regarding individual uncertainties, concludes that the potential interaction of the uncertainties and their possible cumulative effect on the financial report cannot be determined.
- An ‘adverse opinion’ is expressed when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements individually or in aggregate, are both material and pervasive to the financial statements.

Emphasis of matter

26. An ‘emphasis of matter’ paragraph is included in the auditor’s report when the auditor considers it necessary to draw to users’ attention a matter presented in the financial statements that, in the auditor’s judgement, is of such importance that it is fundamental to the users’ understanding of the financial statements. The circumstances in which an emphasis of matter is used include:

- when financial statements and the auditor’s report have been issued and a fact is discovered that leads to revised financial statements and a new auditor’s report being prepared; and
- when financial statements have been prepared in accordance with a special purpose framework, and as a result the financial statements may not be suitable for another purpose.

Other matter

27. The auditor’s report on the financial statements may also include a reference to an ‘other matter’. This allows the auditor to communicate a matter other than a matter that is presented or disclosed in the financial statements that, in the auditor’s judgement, is relevant to users’ understanding of the audit, the auditor’s responsibilities or the auditor’s report.

Material uncertainty related to going concern

28. The auditor’s report on the financial statements will also include a reference to a ‘material uncertainty related to going concern’ when there are possible or actual events or conditions that may cast significant doubt on an entity’s ability to continue as a going concern and the financial statements include adequate disclosure about the uncertainty and management’s plans to deal with the uncertainty.

Report on other legal and regulatory requirements

29. The auditor’s report on the financial statements may also include a report on other legal and regulatory requirements. This report covers matters that the Auditor-General is required by law to report on in conjunction with the financial statements audit.