

Expenditure

Introduction

- 3.1 The Committee reviews the financial statements of the six Australian Intelligence Community (AIC) agencies pursuant to section 29 of the *Intelligence Services Act 2001* (IS Act). All agencies, except ASIO, provided the Committee with a copy of their 2013–14 financial statements. ASIO’s budget and financial statements are publically available in the *Portfolio Budget Statements* and the *ASIO Report to Parliament 2013–14*.¹
- 3.2 The Committee reviewed the financial statements and took evidence from each agency during private hearings. The Australian National Audit Office (ANAO) also provided a submission to the inquiry, outlining its audit findings for each agency over the reporting period.
- 3.3 Much of the evidence received by the Committee is classified and has not been authorised for publication.
- 3.4 The Committee examined all material provided and questioned agencies on aspects of their expenditure. Following is an unclassified overview of the Committee’s findings.
- 3.5 In examining the financial circumstances of each agency over the reporting period, the Committee sought evidence on each agency’s ability to meet its objectives within its budget parameters. The Committee sought to assure itself that each agency was managing its expenditure appropriately.
- 3.6 As in previous years, the Committee heard that budget constraints, including the ongoing impact of the efficiency dividend and other savings measures, placed ongoing and cumulative pressure on the ability of

1 ASIO, *Submission 6.1*, p. 11.

intelligence agencies to meet their objectives in a challenging security environment.

Budget and financial performance

- 3.7 Agencies updated the Committee on their financial performance over the reporting period, detailing how they allocated resources and implemented government savings measures within budget parameters. Agencies also reported on how the efficiency dividend affected the overall budget and what resourcing decisions were taken as a result of the dividend.

ASIO

- 3.8 In 2013–14, ASIO’s operating result was a \$2.8 million surplus excluding depreciation. ASIO had been approved to operate at a loss in 2012–13 for costs associated with moving into the Ben Chifley Building, however, due to a delay in the move, the loss was deferred to the 2014–15 financial year.²
- 3.9 ASIO received \$346.2 million in revenue from the Government, up from \$329.7 million in 2012–13. \$12.5 million of this increase was attributable to a direct appropriation for the Humanitarian Migration Programme.³
- 3.10 ASIO advised that budgetary pressures on the agency continued throughout 2013–14, as it continued to absorb additional functions without supplementation:
- ASIO’s budget has been under increasing pressure over the last few years with ASIO absorbing a number of additional functions and activities without supplementation. These functions and activities included work in relation to serious threats to border integrity; increasing costs of telecommunications interception; the Counter Terrorism Control Centre; and increased litigation activity (during a period where the terrorism and espionage threats to Australia’s border security was also increasing).⁴
- 3.11 ASIO submitted that the introduction of a range of efficiencies, including a restructure in 2013, sought to balance an appropriate level of operational activity and the longer term development of capability within its budgetary envelope.⁵
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2 ASIO, *Submission 6.1*, p. 11.

3 Previously, funds for this program were recovered from the Department of Immigration and Border Protection). See ASIO, *Submission 6.1*, p. 11.

4 ASIO, *Submission 6.1*, p. 4.

5 ASIO, *Submission 6.1*, p. 11.

ONA

- 3.12 ONA's operating budget for 2013–14 was \$29.521 million, up from \$28.176 million in 2012–13.⁶ As in the previous financial year, 65 per cent of ONA's budget was allocated to staffing costs, 10 per cent to property costs and 25 per cent to routine running costs.⁷ ONA also received a Departmental Capital Budget of \$3.519 million, which was used for asset replacements and to purchase minor assets.⁸
- 3.13 ONA's financial statements confirmed an operating loss of \$3.947 million against its annual appropriation, excluding the Departmental Capital Budget. This figure is reduced to \$0.357 million after adjustments for unfunded depreciation expenses and asset revaluation reserve in other comprehensive income.⁹
- 3.14 A revaluation of ONA's land, buildings, property, plant and equipment non-financial assets resulted in an increase in asset values of \$0.439 million.¹⁰

Shared services

- 3.15 Agencies reported on the continued implementation of shared services as a means of delivering efficiencies.
- 3.16 ONA submitted:
ONA derived ongoing benefits from its relationship with PM&C, in particular through participation in portfolio shared services arrangements and use of the departmental library services, mail services, financial management information systems, and human resources information systems.¹¹
- 3.17 ASD advised that its Shared Service reform, which had commenced under the Defence Strategic Reform Program (SRP), had evolved and expanded in recognition of the significant changes to Defence's resource position since the reform program commenced in 2009.¹²
- 3.18 During 2013–14, the SRP was aligned with the Shared Service model to deliver streamlined and centralised enterprise-wide processes across the

6 ONA, *Submission 2.1*, p. 16; Parliamentary Joint Committee on Intelligence and Security, *Review of Administration and Expenditure: No. 11 and No. 12 – Australian Intelligence Agencies*, Canberra, September 2014, p. 49.

7 ONA, *Submission 2.1*, p. 16.

8 ONA, *Submission 2.1*, p. 16.

9 ONA, *Submission 2.1*, p. 16.

10 ONA, *Submission 2.1*, p. 16.

11 See <www.finance.gov.au>.

12 ASD, *Submission 3.1*, p. 7. See also, DIO, *Submission 3.2* p. 7; AGO, *Submission 3.3*, p. 7.

Finance, Human Resources, ICT, Non-Materiel Procurement, and Security domains.¹³

- 3.19 The Defence Intelligence and Security Group informed the Committee that it intended to deliver further efficiencies and savings through Shared Services.¹⁴

The efficiency dividend

- 3.20 Agencies reported on the continued application of the efficiency dividend and other savings measures in 2013–14, and the cumulative impact of these measures on operational capacity.
- 3.21 The background of the efficiency dividend and other targeted savings measures which apply to intelligence agencies is outlined in detail in the Committee's report on the *Review of Administration and Expenditure: No. 11 and No. 12* (Reviews No. 11 and 12).¹⁵
- 3.22 Over the reporting period, the efficiency dividend continued to apply to ASIO, ASIS and ONA.
- 3.23 The DIAs remained effectively exempt from the efficiency dividend, as they are covered by the Defence operational capability exemption.¹⁶ Defence is instead subject to the Defence Strategic Reform Program.¹⁷
- 3.24 Over the reporting period, there were a number of changes to the efficiency dividend. In 2013–14, the efficiency dividend reduced to 1.25 per cent, from four per cent in the previous financial year.¹⁸ In August 2013, it was announced that the efficiency dividend would increase to 2.25 per cent.¹⁹
- 3.25 In Reviews No. 11 and 12, the Committee expressed its concern that agencies had reached or would soon reach the point where ongoing funding reductions would affect operations. The Committee stated:

13 ASD, *Submission 3.1*, p. 7.

14 DIO, *Submission 3.2*, p. 7

15 Parliamentary Joint Committee on Intelligence and Security, *Review of Administration and Expenditure: No. 11 and No. 12 – Australian Intelligence Agencies*, Canberra, September 2014, pp. 50–59.

16 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 38.

17 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 39.

18 C Bowen (Treasurer) and P Wong (Minister for Finance and Deregulation), *Economic Budget 2013: A more efficient public service*, media release, 2 August 2013; C Bowen (Treasurer) and P Wong (Minister for Finance and Deregulation), *Economic Statement August 2013*, 2 August 2013.

19 C Bowen (Treasurer) and P Wong (Minister for Finance and Deregulation), *Economic Budget 2013: A more efficient public service*, Media Release, 2 August 2013; C Bowen (Treasurer) and P Wong (Minister for Finance and Deregulation), *Economic Statement August 2013*, 2 August 2013.

While agencies are prudently implementing savings measures to absorb the impact of the efficiency dividend and other reductions in revenue, it is clear to the Committee that agencies are either reaching or have reached the point where they may no longer be able to address national security priorities if current funding patterns continue.²⁰

3.26 Accordingly, the Committee made the following recommendation:

Recommendation 2: that the Australian Government review the continued application of the efficiency dividend and other savings measures to the agencies comprising the Australian Intelligence Community. Particular consideration should be given to the cumulative impact of these measures on operational capacity, including maintaining optimal staffing levels, and the ongoing ability of agencies to protect Australia's national security.²¹

3.27 The Committee has not yet received a Government response to its report on Reviews No. 11 and 12, but notes that it is expected shortly.

3.28 In the current review, the Committee was told that budgets remained under pressure while agencies absorbed a cumulative reduction in funding. Agencies explained they were required to balance resources to continue to effectively respond to an increasingly complex and interconnected international security environment.

3.29 One witness emphasised the cumulative impact of the ongoing efficiency dividend on agencies:

[T]he thing about the efficiency dividend is the way it has a compounding and cumulative effect – it applies one year and then it applies to a smaller budget the next year and to a smaller budget the next year – so the numbers do really start to count ...²²

3.30 The Committee heard that the efficiency dividend, along with other one-off savings measures imposed by government, had a range of quantifiable impacts on capability across the intelligence community.²³

3.31 ONA advised that the increase in the efficiency dividend to 2.5 per cent in 2014–15 would equate to \$0.418 million for the agency, with the

20 Parliamentary Joint Committee on Intelligence and Security, *Review of Administration and Expenditure: No. 11 and No. 12 – Australian Intelligence Agencies*, Canberra, September 2014, p. 60.

21 Parliamentary Joint Committee on Intelligence and Security, *Review of Administration and Expenditure: No. 11 and No. 12 – Australian Intelligence Agencies*, Canberra, September 2014, p. 61.

22 *Classified Committee Hansard*, 26 March 2015, p. 24.

23 *Classified Committee Hansard*, 26 March 2015, p. 23.

cumulative impact of all budget reductions in 2013–14 and forward estimate years totalling about \$12.5 million.²⁴

- 3.32 ONA stated that it had made a considerable effort to further reduce administrative and operating costs in 2013–14, in consideration of the efficiency dividend and whole-of-government targeted savings measures.²⁵

Review of Australia's Counter-Terrorism Machinery

- 3.33 The Committee considers it important to assess the impact of savings measures during 2013–14 with regard to subsequent reviews and government decisions relating to the efficiency dividend and other savings measures.

- 3.34 Specifically, the Committee notes the primary findings of the *Review of Australia's Counter-Terrorism Machinery* (The Review), released in January 2015. The Review considered the effect of the efficiency dividend on select national security agencies, including ASIS, ASIO and ONA.²⁶

- 3.35 The Review confirmed that intelligence agencies, excluding the DIAs, did not receive any exemption from the efficiency dividend. This was despite the agencies using large proportions of their funding for activities other than administration. This created challenges for agencies attempting to find appropriate efficiencies without ceasing activities:

The requirements to protect information, operations and people creates several points of unique inflexibility for national security agencies. This limits potential efficiencies. In particular, maintaining secure facilities and technology is expensive, limiting opportunities for relocation, co-location or outsourcing.

Much of the national security effort involves long term investment in partnerships, operations or capabilities. Capability, once turned off, cannot quickly be turned back on.²⁷

- 3.36 For example, ASIO emphasised the permanent, expensive and unavoidable 'security overlay' associated with ensuring intelligence agencies could operate effectively and securely:

These are costs the agencies must bear with the consequence that efficiencies must be realised elsewhere in the agency operations.²⁸

24 ONA, *Submission 2.1*, p. 17.

25 ONA, *Submission 2.1*, p. 17.

26 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 39.

27 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 39.

- 3.37 Despite the necessary costs associated with the 'security overlay' of intelligence agencies, the review considered that larger agencies had greater potential to identify savings and meet the requirements of the efficiency dividend than smaller agencies such as ONA. The Review noted:
- They (ONA and [the Office of the IGIS]) have not received an increase in their funding, commensurate with that received by [the Australian Customs and Border Protection Service], [the Australian Federal Police], ASIO and ASIS and do not have the ability to continue to find efficiencies because of their small size and national security restraints under which they operate.²⁹
- 3.38 A case study of the impact of the efficiency dividend on ONA displayed the real impact of the efficiency dividend on capability within the agency:
- To meet [efficiency dividend]-driven savings targets, in 2013 ONA did not replace the retiring Russia analyst, leaving just one analyst to cover Russia, the former Soviet States and Western Europe at a time of burgeoning demand for analysis of this part of the world. ONA has also had to reduce open source resources to protect other assessment priorities at a time when social media exploitation is becoming a more important feature of law enforcement and intelligence efforts.³⁰
- 3.39 In the Review, agencies outlined the risks to national security outcomes from continued reductions in base funding, and what steps they would need to take over the forward estimates to meet the efficiency dividend. For example, ASIO reported that it would tightly prioritise resources on the high end of the threat spectrum, with less scope to address other threats or identify emerging issues. ASIS advised that it would have to substantially reduce or abandon intelligence collection on a range of enduring issues other than counter terrorism. ONA advised that it would have to reduce staff by seven from 2014–15 to 2016–17, which would weaken capability.³¹
- 3.40 The Department of the Prime Minister and Cabinet (PM&C) recommended that the Government remove the application of the efficiency dividend from ONA and the Office of the IGIS, as well as from

28 ASIO, *Submission 6.1*, p. 11.

29 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 39.

30 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 40.

31 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 40.

all ASIO and ASIS operations. This recommendation was predicated on these agencies being instead subject to ongoing whole-of-government non-efficiency dividend efficiency processes. As an alternative, PM&C recommended that a 0.5 per cent efficiency dividend apply to ASIS and ASIO operations, ONA and the Office of the IGIS.³²

Recent developments

3.41 A number of developments have occurred since the reporting period regarding the general funding of intelligence agencies and the ongoing application of the efficiency dividend. The Committee considers it prudent to note these developments, notwithstanding that they fall outside the reporting period. It would be impractical for the Committee to make recommendations regarding the future funding of intelligence agencies without first having regard to subsequent government decisions affecting the ongoing funding of intelligence agencies and the impact of the efficiency dividend.

3.42 In August 2014, the Government announced \$630 million would be spent over four years to boost the counter terrorism capacity of intelligence agencies, including ASIO, ASIS and ONA.³³ The Government provided further detail of its whole national security funding package in its Mid-year economic and fiscal outlook 2014-15:

The Government will provide additional funding of \$649.9 million over four years for a range of counter-terrorism activities, providing security and intelligence agencies with resources and legislative powers to combat the terrorism threat. The additional funding provided to agencies will extend beyond the forward estimates, forming part of agencies' ongoing base funding.³⁴

3.43 In its submission to this inquiry, ASIO noted that the funding package would enhance security capabilities by enabling the organisation to employ more resources against a continually evolving threat.³⁵

32 Australian Government Department of the Prime Minister and Cabinet, *Review of Australia's Counter-Terrorism Machinery*, January 2015, p. 42.

33 T Abbott (Prime Minister) and G Brandis (Attorney-General), *New counter-terrorism measures for a safer Australia*, joint media release, 5 August 2014; See also, T Abbott (Prime Minister) and G Brandis (Attorney-General), *Counter-terrorism measures for a safer Australia*, joint media release, 26 August 2014; Parliament of Australia (Parliamentary Library), C Barker, *Countering terrorism and violent extremism – budget review 2015-16 index*, <www.aph.gov.au> viewed 21 May 2015.

34 Commonwealth of Australia, *Mid-year economic and fiscal outlook 2014-15 - Appendix A: Policy decisions taken since the 2014-15 Budget*, pp. 135-137.

35 ASIO, *Submission 6.1*, p. 4.

- 3.44 The Committee notes that a further increase in the efficiency dividend of 0.25 per cent was earmarked for the 2014–15, 2015–16 and 2017–18 financial years.³⁶
- 3.45 However, in the 2015–16 Budget, the Government announced it would be returning the efficiency dividend to the base rate of one per cent from 2017–18, subject to ongoing monitoring.³⁷ Further, it was announced that ONA would be exempt from the efficiency dividend commencing from 2015–16, providing ONA with an additional \$7.6 million over the next four years.³⁸
- 3.46 In May 2015, the Government announced \$1.2 billion in new funding for national security, building on the \$1 billion it announced in the previous year.³⁹ Four hundred and fifty million dollars of these funds were earmarked to ‘strengthen intelligence capabilities and to counter extremist messaging’. The new measures include \$296 million to strengthen the capabilities of intelligence agencies, including updating information technology systems.⁴⁰

Committee comment

- 3.47 As noted in chapter one, ASIO submitted that Australia’s security faces a disparate array of challenges at an intensity not seen since the end of the Cold War.⁴¹
- 3.48 Noting the immense challenges facing our country (and in turn, our security agencies), the Committee has a responsibility to report to Parliament (and the wider Australian community) on the effective administration of agencies and the appropriate management of expenditure. In the current environment, this necessarily raises issues regarding the adequacy of resources for agencies to fulfil current and future responsibilities.

36 Commonwealth of Australia, *2014-15 Budget Paper No. 2: Budget Measures*, <http://www.budget.gov.au/2014-15/content/bp2/html/bp2_expense-07.htm> viewed 3 June 2015.

37 Commonwealth of Australia, *2015-16 Budget Paper No. 4: Agency Resourcing*, <http://www.budget.gov.au/2015-16/content/bp4/html/bp4_ind_preface.htm> viewed 3 June 2015.

38 Commonwealth of Australia, *2015-16 Budget Paper No. 2: Budget Measures*, <http://www.budget.gov.au/2015-16/content/bp2/html/bp2_expense-05.htm> viewed 3 June 2015.

39 Commonwealth of Australia, *Budget 2015, Protecting Australia*, p. 3.

40 Commonwealth of Australia, *Budget 2015, Protecting Australia*, p. 3.

41 ASIO, *Submission 6.1*, p. 4.

- 3.49 As in previous years, agencies outlined the ongoing budgetary pressures that have resulted from cumulative reductions in funding, such as the efficiency dividend and other savings measures.
- 3.50 The Committee was presented with evidence during 2013–14 that showed that the ongoing application of the efficiency dividend and the lack of supplementation for absorbing additional functions were impacting negatively on the ability of agencies to meet national security priorities. It was clear that ASIO, ASIS and ONA were finding it increasingly difficult to find further efficiencies without affecting ongoing capability or compromising operations.
- 3.51 In its report for the reviews of expenditure in 2011–12 and 2012–13, the Committee expressed its concerns about the ongoing impact of the efficiency dividend on intelligence agencies.⁴²
- 3.52 Although outside the reporting period for this review, the Committee notes the increase in funding announced in August 2014 to assist intelligence agencies in countering terrorism and meeting emerging and ongoing threats to national security.
- 3.53 Further, the Committee notes the increase in funding for intelligence agencies announced in the 2015–16 Budget. In particular, the Committee notes the decision to exempt ONA from the ongoing application of the efficiency dividend.
- 3.54 The Committee welcomes the substantial increase to the ongoing funding of intelligence agencies, and the exemption from the efficiency dividend for ONA. These decisions allay the Committee’s previous concerns that agencies had reached or were reaching a point where resources may prove inadequate to address national security priorities.
- 3.55 The Committee notes that its recommendation stemming from its review into the 2011-12 and 2012-13 years was that the Australian Government reviews the continued application of the efficiency dividend and other savings measures to all agencies comprising the AIC. The Committee notes that the Government has only exempted ONA from the application of the efficiency dividend. ASIO and ASIS will presumably continue to be subject to the efficiency dividend.
- 3.56 The Committee considers that as a small agency, the ONA was most at risk of its capability being compromised by the application of the efficiency dividend and other savings measures. This view was supported by the findings of the January 2015 review into Australia’s Counter-Terrorism Machinery by PM&C.
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42 Parliamentary Joint Committee on Intelligence and Security, *Review of Administration and Expenditure: No. 11 and No. 12 – Australian Intelligence Agencies*, September 2014.

- 3.57 Although ASIO and ASIS will continue to be subject to the efficiency dividend, the Committee notes they have been the beneficiaries of recent increases in funding to counter the terrorism threat. If this level of funding is maintained, the ongoing application of the efficiency dividend may be manageable for those agencies, without a need for a partial or full exemption.
- 3.58 The Committee will examine the impact of these recent funding decisions as part of its reviews into agency expenditure over the coming financial years. As part of these reviews, the Committee intends to question ASIO and ASIS officials on whether the injection of new funding to ASIO and ASIS has offset or alleviated the ongoing impact of the efficiency dividend on those agencies, or whether partial or full exemption from the efficiency dividend is required to allow the agencies to meet the current and future security challenges effectively.

Financial management

- 3.59 As at 1 July 2014, the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) replaced the *Financial Management and Accountability Act 1997* (FMA Act) and the *Commonwealth Authorities and Companies Act 1997* (CAC Act) as the Commonwealth's financial framework.⁴³
- 3.60 Transitional arrangements under the *Public Governance, Performance and Accountability (Consequential and Transitional Provisions) Act 2014* preserved the financial reporting and audit requirements under the relevant provisions of the FMA and CAC Acts for 2013–14.⁴⁴
- 3.61 Accordingly, ASIO, ASIS and ONA produced financial statements for the reporting period pursuant to section 49 of the FMA Act, and in accordance with the Finance Minister's Orders.⁴⁵
- 3.62 Agencies noted that although the commencement date for the PGPA Act was outside of the reporting period, considerable work was undertaken during 2013–14 in readiness for the commencement of the new requirements.⁴⁶

43 ANAO, *Submission 1*, p. 1.

44 ANAO, *Submission 1*, p. 1.

45 ANAO, *Submission 1*, p. 1.

46 ONA, *Submission 2.1*, p. 12.

- 3.63 The ANAO conducts an annual examination of the internal systems and key financial controls of ONA, ASIO and ASIS by auditing each agency's financial statements, pursuant to section 57 of the FMA Act.⁴⁷
- 3.64 ASIO and ASIS are audited by special agreement between their relevant ministers and the Minister for Finance, whereby the agencies have discretionary power to omit certain financial information from their financial statements that could reasonably be expected to be operationally sensitive.⁴⁸
- 3.65 The Committee notes that new agreements will be required when the agencies are required to comply with the requirements of the PGPA Act.
- 3.66 The DIAs are not required to produce separate financial statements under the FMA Act. Rather, the revenue, expenses, assets and liabilities of those agencies are included in the annual financial statements of the Department of Defence, to be audited by the ANAO.⁴⁹
- 3.67 The ANAO's annual audits considered whether, in its opinion, each agency's financial statements provided a true and fair view of its financial position, performance and cash flows, in accordance with the requirements of the Finance Minister's Orders/ Agreement between the Finance Minister and relevant Minister, and the Australian Accounting Standards.⁵⁰
- 3.68 Internally, each agency operates in accordance with a financial management framework and with various internal reporting requirements and controls. Internal controls includes maintaining robust fraud prevention and risk management procedures in accordance with the Commonwealth Fraud Control Guidelines.
- 3.69 The Committee examined the financial management of each agency, having regard to the ANAO's submission outlining the results of each audit, and evidence provided by each agency on its internal systems and financial controls.

ASIO

- 3.70 ASIO's financial statements for the reporting period were audited by the ANAO. This audit included examining the organisation's internal systems and key financial controls.⁵¹

47 ANAO, *Submission 1*, p. 1.

48 ANAO, *Submission 1*, p. 1.

49 ANAO, *Submission 1*, p. 1.

50 ANAO, *Submission 1*, pp. 1–2.

51 ASIO, *Submission 6.1*, p. 13.

- 3.71 The ANAO confirmed ASIO's advice that it received two 'C' findings as part of its audit, which posed a low business or financial management risk. ASIO advised that the issues identified in the audit had been addressed.⁵²
- 3.72 ASIO advised that it had the following internal controls in place:
- the Chief Finance Officer reported monthly to the ASIO Executive Board on current and future organisational financial performance matters and strategic financial management planning,
 - financial management practices were supported by a financial management information system with integrated internal controls aligned to the organisation's financial framework, and
 - ASIO's Audit and Risk Committee received quarterly briefings from the Chief Finance Officer to assist the Committee in providing independent assurance and advice on the design, operation and performance of ASIO's internal governance, risk and control framework.⁵³

ONA

- 3.73 ONA advised that its internal audit program was prepared using a risk based methodology and included a number of audits examining various corporate and financial functions and controls.⁵⁴
- 3.74 The ANAO's audit of ONA did not identify any audit issues during the reporting period, as part of its audit.⁵⁵

ASIS

- 3.75 The ANAO made no findings in relation to ASIS's 2013-14 financial statements, having regard to the special circumstances under which they are prepared.⁵⁶

Defence Intelligence Agencies

- 3.76 The ANAO advised that no specific issues of significance were raised with the DIAs during its audits of the Department of Defence over the reporting period.⁵⁷

52 ASIO, *Submission 6.1*, p. 13.

53 ASIO, *Submission 6.1*, p. 13

54 ONA, *Submission 2.1*, p. 14.

55 ANAO, *Submission 1*, p. 4.

56 ANAO, *Submission 1*, p. 4.

57 ANAO, *Submission 1*, p. 4.

Fraud control

- 3.77 Agencies noted they had reviewed fraud policies and guidance documents in preparation for the introduction of the PGPA Act on 1 July 2014.⁵⁸
- 3.78 ASIO advised that its Internal Audit Directorate developed the *ASIO Fraud Management Guidelines* during the reporting period to provide staff with specific guidance on the Commonwealth fraud control policy framework, ASIO's fraud control and management arrangements and fraud allegation reporting procedures. This was in addition to mandatory training provided to new employees and contractors, and ongoing e-training offered every three years.⁵⁹
- 3.79 ASIO dealt with one allegation of fraud during 2013–14, which was dealt with through the *Public Interest Disclosure Act 2013* investigative process.⁶⁰
- 3.80 No other agency reported any allegations of fraud or developments in fraud control during the reporting period.

Committee comment

- 3.81 The Committee has scrutinised each agency's financial management, including its internal controls. On the basis of evidence provided, the Committee was satisfied that agencies appropriately managed the expenditure of their organisations during 2013–14.

Dan Tehan MP

Chair

June 2015

58 ASIO, *Submission 6.1*, p. 19.

59 ASIO, *Submission 6.1*, p. 19.

60 ASIO, *Submission 6.1*, p. 19.