



31 January 2024

Committee Secretary
Senate Finance and Public Administration Legislation Committee
Parliament of Australia

Dear Committee Secretary

On 12 October 2023 the Acting Deputy Auditor-General wrote to the Committee providing information about the Australian National Audit Office (ANAO) audits, other reports tabled and background information on our audit products. This letter is to provide the Committee an update on reports tabled since 12 October 2023 to date.

The purpose of the ANAO is to support accountability and transparency in the Australian Government sector through independent reporting to the Parliament, and thereby contribute to improved public sector performance. The ANAO seeks to achieve this outcome through delivery of its programs of audit services as outlined in the Portfolio Budget Statements 2023–24.

The [ANAO's Senate Estimates Committee Support website section](#) displays summaries of all audits tabled during the period and can be filtered to access audit report summary information relevant to the Committee's allocated portfolios. This provides Committee members and secretariat staff direct and real time access to audit report summary information relevant to the Committee. The audit summaries are optimised for printing to PDF.

[Performance statements audit reports relevant to the Committee](#)

The purpose of the performance statements audit program, and its related audits, is to drive improvement in the quality of entities' performance reporting to the Parliament and the public, against the requirements of the Commonwealth reporting framework. This information should assist the committee in its lines of inquiry on whether Commonwealth entities are delivering value for money for the outcomes for which they are funded.

There were ten entities audited by the ANAO in 2022–23. There were no performance statements audits relevant to the Committee in 2022–23.

The ANAO also presents an End of Year report to Parliament summarising the outcomes of performance statements audits, including opportunities to improve the quality of Commonwealth entities' performance reporting to the Parliament. The Audit of the Annual Performance Statements of Australian Government Entities 2022-23 is due to table in February 2024.

The ANAO will be conducting performance statements audits of 14 entities in 2023–24. There are no performance statements audits relevant to the Committee in 2023–24.

Performance audit reports relevant to the Committee

Performance audit reports identify areas where improvements can be made to aspects of public administration and make specific recommendations to assist public sector entities to improve performance. This can include an assessment of whether the audited entity executes its activities in accordance with the requirement to promote proper use of public money – that is the use of management of public money was efficient, effective, economical and ethical; and is in compliance with policy frameworks. The ANAO performance audit report tabled from 12 October 2023 relevant to the Committee:

- Auditor-General Report No.12 (2023-24) [Administration of the Parliamentary Expenses Management System](#)

Financial statements audit reports relevant to the Committee

The ANAO's financial statements examine the financial accounting and reporting of Australian Government entities and provide independent assurance that financial statements have been prepared in accordance with the Government's financial reporting framework and Australian Accounting Standards. The ANAO's audit opinions are provided to Ministers and included in entity annual reports which are tabled in the Parliament.

In addition, the ANAO's presents two reports annually to Parliament 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. The ANAO recently tabled Auditor-General Report No.9 (2023-24) [Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2023](#) in December 2023. It provides a summary of the final results of the audits of the Consolidated Financial Statements for the Australian Government and the financial statements of Australian Government entities for the period ending 30 June 2023.

I would like to draw the Committee's attention to the analysis contained within the report including analysis and results of financial statements audits for the Finance, Prime Minister and Cabinet and Parliamentary Portfolios for the financial period ending 30 June 2023.

Financial audit results

In respect of the Finance, Prime Minister and Cabinet and Parliamentary portfolios, the ANAO reported the following new audit findings:

- Commonwealth Superannuation Corporation: User access review (moderate) [[Paragraphs 4.7.60 – 4.7.61](#)]
- Department of Prime Minister and Cabinet: Removal of user access (moderate) [[Paragraphs 4.14.16 – 4.16.18](#)].

The following audit findings remain unresolved at the conclusion of the 2022-23 final audit phase:

- Northern Land Council: Management of Royalty Trust Account (significant) [[Paragraphs 4.14.56 – 4.14.59](#)].
- Tiwi Land Council: Risk management activities (significant) [[Paragraphs 4.14.63 – 4.14.67](#)].

In addition to the matters specific to the Portfolios, the Report also contains analysis of the Australian Government's financial performance, entity internal controls frameworks, quality and timeliness of financial reporting processes, and financial sustainability of entities across the sector, which are summarised in the Executive Summary. The Committee may be interested in the following matters of relevance across the sector identified by the ANAO for which further information is available in the report:

- **Quality and timelines of financial statement preparation** (Refer [Paragraphs 2.146 – 2.161](#)) . At the completion of 2022-23 audits the ANAO reported a reduction in the number of findings related to financial statement preparation. In 2022-23, 72 per cent of entities delivered financial statements in line with an agreed timetable – an increased compared with 2021-22 (65 per cent). The total number of adjusted and unadjusted audit differences decreased during 2022-23, although 50 per cent of

audit differences remained unadjusted. The quantity and value of adjusted and unadjusted audit differences indicate there remains an opportunity for entities to improve quality assurance frameworks over financial statements preparation processes.

- **Internal audit** (Refer [Paragraphs 2.36 – 2.76](#)). Internal audit plays an important role in providing assurance over an entity’s system of risk management and internal control. During 2022-23, 84 per cent of entities had an established internal audit function. Fifty-five percent of entities had internal audit charters. Twenty-one per cent of entities decreased their internal audit budget in the period 2020-21 to 2022-23. There is an opportunity for the Australian Government to consider whether guidance relating to the implementation and delivery of internal audit would be beneficial to enhance the Australian Government’s system of internal control.
- **Timeliness of tabling annual reports** (Refer [Paragraphs 2.162 – 2.172](#)) Annual Reports that are not tabled in a timely manner before budget supplementary estimates hearings decrease the opportunity for the Senate to scrutinise an entity’s performance. On average it took 42 days (2021-22: 44 days) after the auditor’s report was issued for annual reports to be tabled in Parliament. There has been a decline in the number of entities that tabled an annual report prior to the relevant portfolio’s Senate estimates hearing. Sixty-six per cent (2021-22: 74 per cent) of entities that are required to table an annual report in Parliament tabled prior to the date that the portfolio’s Senate estimates hearing commenced.
- **Emerging technologies.** (Refer [Paragraphs 2.27 – 2.31](#)). Use of emerging technologies in the sector requires governance thinking. Emerging technologies, such as Artificial Intelligence, Machine Learning and Robotic Process Automation present opportunities for improvement and innovation, and risks. Thirty-six entities advised the ANAO that they had adopted some form of emerging technology. The majority of entities adopting these technologies did not create policies or a governance framework to support their use of these technologies, or have regard to external policies guidance such as Australia’s eight Artificial Intelligence Ethics Principles. The lack of governance frameworks for managing the use of emerging technologies could increase the risk of unintended consequences.
- A summary of audit findings and legislative breaches identified by the ANAO during its 2022-23 financial statement audits (refer [paragraphs 2.77 – 2.79](#)). A total of 196 findings were reported to entities as a result of the 2022–23 financial statements audits (a decrease from 2021–22). These comprised nine significant, 36 moderate, 137 minor findings and 14 legislative breaches. The highest number of findings are in the categories of:
 - governance of legal and other matters impacting entity financial statements;
 - IT governance including security, change management and user access; and
 - accounting and control of non-financial assets.

Appearances and briefings

It is open to the Committee to invite the Auditor-General and representatives to appear before the Committee at estimate hearings or to attend private briefings to provide comment and insight into matters relevant to Auditor-General reports. The information about ANAO reports tabled since 12 October 2023 to date is intended to assist the Committee to prepare for February 2023–24 Additional Budget Estimates hearing.

In order for the ANAO to provide witnesses with the relevant audit expertise and best assist the Committee with its enquiries, the ANAO would appreciate the Committee’s advice on which audits may be the subject of examination during estimate hearings prior to the ANAO’s appearance.

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If you have any queries in relation to the audits, would like to arrange a briefing, or require any other assistance from the ANAO, please contact External Relations by email external.relations@anao.gov.au.

We are comfortable with circulating this correspondence to Committee members.

Yours sincerely

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Deputy Auditor-General