

OFFICIAL

Good afternoon Secretariat,

I refer to the letter of 27 January 2023 from the Committee Secretary inviting the AAT to make a submission into the JCPAA inquiry into the Commonwealth Financial Statements 2021-22 (attached).

The AAT Registrar has approved the following text responding to the Moderate (B) finding raised against the AAT in the report.

Lease Management - CFS response

The AAT uses a third-party provider for the management and recording of leases for lease accounting purposes. Lease agreements and lease modifications are communicated to the third-party provider for record-keeping into the provider's system. All lease details and complex calculations are maintained in this system and information produced by this system is used by the AAT for financial reporting purposes.

During the 2021-22 financial year the AAT surrendered some office space in its Sydney location. AAT staff completed the accounting process based on information generated from the third-party system but did not adequately verify the data input from the lease surrender. When the anomaly was discovered, it resulted in a material accounting adjustment to the right-of-use asset and lease liability with an impact on depreciation and interest expense. The adjustment was processed prior to the signing of the 2021-22 AAT financial statements.

In the 2022-23 financial year, the AAT implemented a new quality assurance process to verify data from the third-party system with the AASB 16 leasing template (provided by the Department of Finance) on a regular basis. Any anomalies are analysed and rectified instantly.

In addition, the AAT is progressively reviewing all its lease documentations against information held in the third-party system to further ensure accounting transactions are produced accurately and free of material errors for the financial reporting purpose.

The AAT aims to clear this Category B audit finding as part of the 2022-23 financial statements process.

Please let me know if the Committee requires anything further.

Regards

[Redacted Signature]

Administrative Appeals Tribunal
Principal Registry, Canberra
Executive

[Redacted Address]

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