

OFFICE OF NATIONAL ASSESSMENTS

**Submission to the
Parliamentary Joint Committee
on Intelligence and Security**

REVIEW OF ADMINISTRATION AND EXPENDITURE NO. 17 UNCLASSIFIED SUMMARY

2017–18 FINANCIAL YEAR

December 2018

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Overview

The Office of National Assessments (ONA) was established by the *Office of National Assessments Act 1977* (ONA Act) as an independent body accountable to the Prime Minister. ONA began operations on 20 February 1978. The open source collection function was added to the office in 2005.

Our purpose is to give the Australian Government a decision-making advantage by helping it to interpret world developments. By statute, ONA is independent of any department or authority and the Director-General of ONA is not subject to external direction on the content of ONA's assessments.

This is achieved by undertaking three main activities:

- analysing and anticipating change in international political, strategic and economic matters of importance to Australia, drawing on all sources;
- collecting and analysing open source intelligence through the Open Source Centre; and
- coordinating and evaluating Australia's foreign intelligence activities.

These assessment and coordination activities are enabled by ONA's corporate functions; information and communications technology processes; and business and security management systems.

ONA's independence is vital to our performance. The government values objectivity in ONA assessments, which often form a base for policy development. Our effectiveness also depends on our responsiveness to the needs of the Prime Minister and key ministers and departments.

The Director-General attends meetings of the National Security Committee of Cabinet (NSC), is a standing member of the Secretaries Committee on National Security (SCNS) and – during the reporting period – was a standing member of the National Intelligence Coordination Committee (NICC), which is to be replaced by the Policy and Intelligence Meeting (PIM).

The Organisation

ONA staff are engaged under the *Public Service Act 1999* (PS Act). The Director-General is a statutory appointee with a fixed term of office not exceeding seven years. This will remain the case when ONA transitions to ONI in late 2018.

Changes to structure

On 18 July 2017 the government announced that it had accepted the recommendations of the 2017 Independent Intelligence Review (IIR) as a sound basis to reform Australia's intelligence arrangements. This initiated the process to establish an Office of National Intelligence (ONI), which will subsume ONA.

In preparation for ONA's transition to ONI and the additional responsibilities this transition will bring, ONA's structure has expanded significantly.

At 30 June 2018, ONA's structure comprised:

- the Director-General;
- two Deputy Directors-General;
- six Division Heads;
- three SES Band Two Intelligence Mission Managers;
- 19 branches covering assessment; open source collection and analysis; foreign intelligence evaluation; coordination and international liaison; corporate services; and enterprise management; and
- liaison offices in Washington and London.

Strategic Direction and Priorities 2017–18

As outlined in the Portfolio Budget Statements 2017–18, ONA focuses on one outcome:

Advancement of Australia's national interests through increased government awareness of international developments affecting Australia.

The key strategies by which ONA seeks to achieve its outcome include:

- maintaining a strong customer focus and communicating with our customers effectively;
- upholding the highest standards of analytic rigour and intelligence assessment;
- thoroughly and consistently reviewing Australia's foreign intelligence activities; and
- building and sustaining strong relationships with our key domestic and international partners.

Our primary output for the 2017–18 reporting period – as in previous years – included: written and verbal assessments, briefings to senior government customers, open source reports, evaluations of Australia's foreign intelligence efforts, and coordination of cross-agency aspects of Australia's foreign intelligence activities.

Over the reporting period, ONA continued to provide relevant, timely and accurate assessments to inform the Prime Minister and Cabinet ministers on issues of national and international security.

Performance Evaluation and Accountability

Performance evaluation

ONA's performance measures are set out in our Corporate Plan. An enduring challenge for ONA is the inherent difficulty of accurately measuring, quantifying and assessing the impact of our efforts to give the Australian Government a decision-making advantage. To address this difficulty, we draw on qualitative and quantitative factors in assessing the value of our work, relying heavily on frank feedback from our primary stakeholders.

ONA's Intended Results and Performance Measures – as mapped against our PBS Programs and Activities – are shown in Table 1.

We collect performance information through:

- engagement with the offices of the Prime Minister and other key ministers, as well as their departments;
- feedback from customers and stakeholders, including an annual survey of our senior customers across government;
- regular internal review of ONA's analytical and resource management objectives and performance;
- capturing the outcomes of reviews of ONA's statutory independence by the Inspector-General of Intelligence and Security;
- harvesting and analysing quantitative data on our reporting output, including mapping against the National Intelligence Priorities (NIPs); and
- undertaking internal quality assurance activities, such as the key judgments review process.

Corporate Plan

An ONA Corporate Plan is developed annually to outline how we intend to achieve our purpose in the current environment, define our performance measures and capture our capability outlook.

Covering a four year reporting period, the ONA Corporate Plan 2017–21 was provided to the Prime Minister in August 2017.

Annual Report, Annual Performance Statement and Annual Financial Statements

Each year we prepare a classified Annual Report and Annual Performance Statement for the Prime Minister, containing detailed information on the activities, performance and achievements of the office.

The ONA Annual Report 2017–18, including the Annual Performance Statement and Annual Financial Statements, was provided to the Prime Minister in October 2018.

Determination made under Section 105D of the PGPA Act

In accordance with a determination made under Section 105D of the *Public Governance, Performance and Accountability Act 2013* (the PGPA Act), ONA's Annual Report is not required to be tabled in Parliament and the Annual Report must not be published. Under this same determination, the ONA Corporate Plan must not be published.

Once ONA formally becomes ONI, we intend to produce an unclassified summary of our Corporate Plan and Annual Report that will be available on the ONI website.

Purpose To give the Australian Government a decision-making advantage by helping it to interpret world developments									
Outcome	Programs	Activities	Intended Results	Performance Measures	2017/18	2018/19+	PBS Performance Criterion		
PBS Outcome Advancement of Australia's national interests through increased government awareness of international developments affecting Australia	PBS Program 1 Assessment and Reports – provide accurate and timely assessments and reports to the Prime Minister, senior ministers and officials	Activity 1.1 Analysing and anticipating change in international political, strategic and economic matters of importance to Australia, drawing on all sources	Intended Result 1.1.1 High quality intelligence advice is provided to government and policy customers to inform key policy and government decision-making	Performance Measure 1.1.1 Government and policy customers are satisfied that ONA's product is of high quality	✓	✓	PBS Performance Criterion 1 ONA's assessment and analytical product informs Australian Government's policy responses		
				Performance Measure 1.1.2 ONA assessments inform major government decisions and policy initiatives	✓	✓			
				Performance Measure 1.2 Government and policy customers are satisfied that open source product is high quality input for their collection, analytic, advice and policy work	✓	✓			
	PBS Program 2 Coordination and Evaluation – advance Australia's national interest through the effective intelligence activities	Activity 2.1 Coordinating and evaluating Australia's foreign intelligence activities	Intended Result 2.1.1 High quality advice is provided to government on Australia's foreign intelligence collection and strategic assessment priorities, making recommendations on ways to close intelligence gaps	Performance Measure 2.1.1 AIC annual performance evaluation is conducted in accordance with government requirements, and recommendations are provided to remedy inadequacies and identify opportunities for improvement, innovation and integration	✓	✓	PBS Performance Criterion 2 ONA's stakeholder survey reflects overall high levels of satisfaction that ONA's intelligence coordination and evaluation mechanisms are delivering well-coordinated foreign intelligence support to government		
				Performance Measure 2.1.2 Government and policy customers are satisfied with the coordination and advice on foreign intelligence collection and strategic assessment priorities, management of NICMC	✓	✓			
				Intended Result 2.1.2 Government is informed on the effectiveness of Australia's foreign intelligence activities and capabilities to ensure resources are properly matched against national security priorities					

Table 1: ONA's performance criterion matrix

Accountability

A detailed legislative framework defines and regulates ONA's authorities and responsibilities.

ONA's public accountability comes through publication of our Portfolio Budget Statements, annual reporting to the Parliament by the Parliamentary Joint Committee on Intelligence and Security (PJCIS), review by the Inspector-General of Intelligence and Security, and the appearance of the Director-General at the Senate Finance and Public Administration Legislation Committee.

The Australian National Audit Office (ANAO) audits ONA's Annual Financial Statements.

Parliamentary Joint Committee on Intelligence and Security

Parliamentary oversight of ONA's administration and expenditure is the responsibility of the PJCIS. ONA appeared before the PJCIS on 28 June 2018 to discuss ONA's submission, Review of Administration and Expenditure No. 16 (provided to the Committee in November 2017) which reported on activities undertaken during the 2016-17 financial year.

Senate Finance and Public Administration Legislation Committee

The Senate Finance and Public Administration Legislation Committee has coverage of the Prime Minister and Cabinet portfolio. The Committee oversees the Senate Estimates process and the performance of each portfolio agency. ONA appeared before the Committee on 21 May 2018.

ONA responded to six written Questions on Notice during the reporting period.

Inspector-General of Intelligence and Security

The IGIS undertakes regular reviews of ONA's compliance with our internal privacy policies, and periodic reviews of ONA's analytic independence. During the 2017-18 reporting period, the IGIS conducted two routine reviews of ONA's application of Privacy Guidelines on the communication, retention and handling of intelligence information on Australian persons or entities. The IGIS advised that the documents

reviewed were of a high standard. The IGIS noted a small number of instances where Privacy Guidelines were not applied appropriately before publication. The IGIS assessed these process errors did not result in the dissemination of intelligence information about an Australian person without an appropriate reason.

ONA was also involved in two community-wide IGIS inspections that reviewed intelligence agency use of open source information and financial information. IGIS concluded that there is a common understanding of open source and private information, and that there is no evidence to suggest that the intelligence agencies (including ONA) use open source material illegally or inappropriately. IGIS's investigation into intelligence agency access to sensitive financial information (produced by AUSTRAC) found that during the period reviewed, ONA did not access or use AUSTRAC-related data.

2017 Independent Intelligence Review

Regular independent reviews of Australia's intelligence community occur roughly every five years. On 18 July 2017, the Prime Minister released the unclassified version of the 2017 Independent Intelligence Review (IIR) – conducted by Mr Michael L'Estrange AO, Mr Stephen Merchant PSM and supported by Sir Iain Lobban KCMG CB.

The Review assessed Australia's intelligence arrangements and structures to see whether they remained appropriate to meet future security challenges. The Review found the complexity of the geostrategic environment, the pace of technological change, and the broadening scope of security and intelligence challenges facing Australia meant its agencies were increasingly stretched and needed to be better integrated in their efforts to meet those challenges.

The Review made 23 recommendations; the most significant for ONA being the recommendation to establish ONI to take the lead in forging a truly national intelligence enterprise.

ONA continues to work with the PM&C to implement the recommendations that relate directly to ONA.

Corporate Governance

Our corporate governance framework supports the Director-General in implementing the requirements of the PGPA Act and ONA Act, including the prevention and control of fraud; risk management; accountability; auditing and evaluation; and internal governance.

Over the reporting period, we began the process of preparing to transition to ONI, including by reviewing our governance frameworks to ensure their overall effectiveness, and that they are suited to enable us to deliver on our purpose.

Fraud prevention and control

The ONA Fraud Control Plan incorporates a fraud control risk assessment and outlines the fraud prevention, detection, monitoring and reporting mechanisms that ONA has established.

Fraud awareness is promoted through strategic communications, such as intranet announcements and induction programs. ONA provides all employees with access to eLearning to increase awareness and understanding of Commonwealth resources. Available modules included Fraud Awareness, Financial Management and Risk in the Commonwealth.

There were no incidents of fraud detected during 2017-18.

Risk assessment and management

Risk management is an important component of ONA's business planning and key decision-making processes. ONA maintains a well-structured risk management framework that is integrated into our daily activities.

The ONA risk management framework aligns with the principles of the PGPA Act, the Commonwealth Risk Management Policy and the AS/NZS ISO31000:2009 – Risk Management – principles and guidelines.

ONA's strategic risk profile identifies risks that could impact on, or prevent us from achieving, our purpose. Our risk profile is reviewed at least annually by the Executive and draws on risks identified by functional areas in ONA.

During the reporting period, we continued to promote and improve our risk culture, with regular reporting to the senior executive and

staff surveys to gain an understanding of ONA's risk culture and understanding of risk. ONA maintained a risk maturity of 'integrated' in the 2018 Comcover Risk Management Benchmarking Survey.

Audit and evaluation

The ONA internal audit function delivers the Annual Audit Program, and provides secretariat support to the Audit, Risk and Assurance Committee (ARAC). The internal audit function also manages ONA's liaison with the ANAO.

Each year, the Annual Internal Audit Program targets the activities within ONA that present the greatest risk to ONA's achievement of its objectives. A rolling annual program of audits examines various corporate and financial functions. During the 2017-18 reporting period, the committee's major focus was on reviewing and monitoring the arrangements implemented to transition to ONI.

The following audit activities were completed during 2017-18:

- audit of ONA Information Management/Recordkeeping Arrangements
- audit of ONA Project Management Arrangements
- review of ONA Transition Risk Register.

The ONA internal audit function delivers the Annual Audit Program, and provides secretariat support to the ARAC. The internal audit function also manages ONA's liaison with ANAO.

Committees

ONA's committees support the Director-General to plan, manage and implement our business and strategic objectives, as well as ensure we meet our reporting responsibilities.

Consultative working groups and regular discussion forums

ONA has a range of working groups, executive meetings and forums for employee consultation. These provide opportunities to coordinate amongst the organisation's Senior Executive Service, seek staff views and implement initiatives originating from higher-level committees.

Legislative changes

There were no legislative changes that affected the administration of ONA during the 2017–18 year, although extensive work was undertaken on drafting the proposed Office of National Intelligence Bill to enable ONI's establishment.

As per the recommendations of the 2017 IIR, the functions of ONA will be subsumed by ONI. The establishment of ONI is subject to legislative change and is expected to occur during 2018-19.

Human Resource Management

ONA's people are our most valuable asset. We rely on their expertise and skills to maintain the efficacy and reputation of our analysis, open source reporting, coordination and evaluation output, and corporate services. ONA's approach to people management is to ensure our frameworks, policies and initiatives support our goal of attracting, recruiting and retaining outstanding people.

ONA staff are employed under the *Public Service Act 1999* (PS Act), except for the Director-General who is a statutory appointee with a fixed term of office. Terms and conditions of employment for non-SES employee are set out in the ONA Enterprise Agreement 2016-19 (the EA). All SES officers' terms and conditions are set out in subsection 24(1) determinations made under the PS Act.

Over the reporting period we established a new organisational structure and staffing profile – to support our new enterprise management function and expanded assessment remits. Our staffing growth is being carefully managed over the forward estimates in line with budgeted staffing levels for 2017-18 to 2020-21.

Staffing profile

ONA's non-SES workforce is made up of four employment groups:

- all-source analysts;
- open source analysts;
- enterprise management officers; and
- corporate officers (those who provide enabling functions and executive support).

At 30 June 2018, we had 191 employees (including the Director-General, but not including three overseas-based, locally-engaged staff who are employed by DFAT), an increase of 26 from 30 June 2017. ONA's staff comprises 178 ongoing staff and 13 non-ongoing staff.

To prepare for the establishment of ONI, ONA welcomed secondees from various NIC agencies, including ASIS, Home Affairs (including ASIO), ASD, AGO, DIO as well as DFAT, Treasury and Finance.

- 31 employees work part-time hours (including six casual employees)
- 95 (or 50%) are women, seven of which are at the Senior Executive Service (SES) level.

Recruitment and retention strategies

The Workforce Management Committee informs our strategic recruitment and workforce planning activities. All recruitment and internal movements are carefully considered in the context of required organisational growth, budgeted ASL targets, resourcing of ONA's strategic priorities, as well as maintaining ongoing support for secondments and transfers across the NIC agencies. Improved ASL forecasting and workforce metrics have helped the committee in this function.

The interesting and challenging nature of work in ONA, the opportunities ONI presents, our flexible working arrangements and appropriate remuneration, all provide a solid platform to attract staff.

Graduate development

Over the course of the year, five Defence graduates undertook an external rotation with ONA. Each graduate made a valuable contribution to ONA and all reported that their time with ONA was a beneficial experience. ONA also continues to have an agreement with DFAT for several of their graduates to perform a rotation in ONA.

Separations

ONA had a turnover rate of 8% for 2017-18, significantly lower than the previous year (15%). Sixteen people left ONA in 2017-18 for a variety of reasons including resignation (10), transfer to another APS agency (4) and retirement (2). The temporary transfer of staff from a variety of government departments and agencies continued to ensure ONA met its statutory responsibilities and provided a good balance between continuity and change. These transfers include long-standing arrangements with DFAT and Treasury, as well as with Defence, the NIC and other agencies.

Of the ONA workforce:

Workplace diversity

ONA complies with Commonwealth anti-discrimination legislation including the *Racial Discrimination Act 1975*, *Sex Discrimination Act 1984*, *Disability Discrimination Act 1992*, *Human Rights and Equal Opportunity Act 1986* and the anti-discrimination provisions of the *Work Health and Safety Act 2011 (WHS Act)*.

Over the past financial year, we consolidated objectives introduced in the 2016-2017 reporting period. While overall we achieved our gender stretch targets, we still have some work to do to increase female representation in the analyst cohort.

We continued our mentoring program and all staff members were required to complete online unconscious bias training. Membership of our women's and informal carers' networks increased, as did our program of events to celebrate diversity and inclusion.

During the reporting period there was an increase in the number of staff moving to flexible work arrangements and a continued focus on retention strategies (targeted secondments, temporary transfers, coaching, training and promotion opportunities). We engaged more pro-actively with staff on long term leave and introduced return-to-work packs.

A new Inclusion Strategy is being drafted, to be implemented after ONI's establishment. The Strategy will outline our shared vision for workplace inclusion and how we will build on the work we have done to advance a fair, accessible, flexible and inclusive workplace. It will also include a re-evaluation of our gender stretch targets to reflect the challenges of achieving a more diverse organisation.

Indigenous

ONA has three Indigenous staff (out of a total of 191 employees), but we remain focused on achieving the APS-wide three per cent Indigenous employment target. We continue to participate in the IAGDP, through which we hope to recruit an additional two Indigenous employees.

Our Reconciliation Action Plan was launched in September 2017. We hosted a gold coin entry afternoon tea to celebrate Reconciliation Day, with donations going to the Indigenous Literacy Foundation. And to further staff understanding of Indigenous culture, we

participated in a walk in country around Mt Majura, led by a local Indigenous Elder.

Disability

We applied recruitAbility to maximise opportunities for candidates with a disability. Our public internet site is accessible to people with disability and our SES Disability and Mental Health champions promote disability issues. We have worked with the building consulting teams to ensure accessibility for the renovated work environments of all Canberra offices. We also plan to establish an ONI disability employment target as part of the ONI Inclusion Strategy in the new reporting year.

Learning and development

ONA's learning and development initiatives and our Performance Development Framework continue to provide a solid foundation for the professional development of our workforce.

We continue to provide support for:

- corporate/administrative skills training
- language training (including payment of allowances to eligible staff)
- tertiary studies
- staff wellbeing initiatives, including mindfulness training
- security awareness training for all staff – including a separate session for the SES cohort
- attendance at conferences, both domestic and international.

To support the transition to ONI we delivered:

- 'leading through change' workshops for SES and non-SES staff
- presentation and briefing skills training to prepare analysts to engage with a wider customer set.

Development of future leaders

During 2017-18, four high performing EL2 employees were selected to attend the APSC Career Development Assessment Centre.

ONA continues to offer newly appointed EL1 and EL2 officers access to the APSC Executive Management Program to further develop their leadership and management skills.

Technical Expertise

ONA's Director Professional Intelligence, Analysis and Development focuses exclusively on equipping analytic staff with the skills and analytical techniques necessary for achieving high-level analysis. We continue to provide in-house training and partner with external agencies – in particular the NIC training Committee and the National Security College – to support our tradecraft and technical expertise.

Foreign language capability development

Proficiency in foreign languages is an important technical skill that ONA encourages and supports. As at 30 June 2018, 28 employees were accredited in one or more foreign language and were receiving a proficiency allowance.

Around 8% of our training budget was spent on language training.

Studies assistance

We provided study leave and approximately \$48,000 in financial assistance to approved students under our study assistance program.

Individual performance management

ONA's performance development framework (PDF) outlines our approach to performance management. All employees are expected to participate in the program, which requires regular meetings with their managers to discuss, set, document and review work priorities and development expectations.

For non-SES staff, pay-point advancement within the salary bands for each APS classification (APS 1 to EL 2) is available to eligible staff at the end of the financial year.

ONA does not provide performance bonuses to staff however, individual flexibility arrangements (IFAs) are used on a limited basis to provide additional remuneration and/or allowances to help attract and retain staff.

2018 APS Employee Census (State of the Service Report 2018)

The APS Employee Census is conducted in June each year. ONA staff are invited to participate, providing them an opportunity to have their say about issues affecting their work environment. The results contribute to the overall APS findings, set out in the State of the Service Report.

Seventy per cent of our staff participated in the 2018 census. This was lower than previous years but consistent with the broader APS.

Again this year, our results compared favourably to the wider APS and our cohort of specialist APS agencies.

Employee engagement in ONA remains high, and well above the APS average in most key measures. In particular, employees reported being satisfied with health and wellbeing indicators, their employment conditions, learning and development opportunities, workplace flexibility and work-life balance, SES leadership (visibility and support) and support for innovation in the agency. The report also highlighted some themes that will be an ongoing focus:

Performance management/learning and development

Supervisors will continue to promote and support the performance management framework, with a focus on providing regular feedback and support for ongoing professional development. Promoting positive workplace behaviours will also be a key focus.

Diversity and inclusion

This will continue to be addressed through the ONA Diversity Action Plan and relevant HR policies – in particular initiatives aimed at ensuring equity for all ONA staff through a range of work and career development opportunities.

Career opportunities

ONA will provide opportunities for staff to participate in new projects and career opportunities within and outside the agency. This includes new recruitment related initiatives to attract and retain staff, particularly those with specialist skills.

Access to flexible working arrangements

An "if not why not" approach has been adopted for requests for part-time/flexible work. All ONA vacancies are now advertised as 'flexible' regarding full or part-time work. This issue will also be addressed through the ONA Diversity Action Plan and relevant HR policies and practices.

SES Communication

Improvements in SES communication, particularly in leading and managing change, are being addressed as part of the transition to ONI.

Health and wellbeing

We will continue to promote health and wellbeing within the agency through targeted initiatives managed by our in-house psychology services.

Staff complaints

In the reporting period, we introduced a new Unacceptable Workplace Behaviour policy. ONA held information sessions to help staff understand what to do if they are subject to, witness or receive a complaint of unacceptable behaviour. Training was also provided to staff from APS to SES ranks.

There were no formal unacceptable behavior complaints during 2017-18. There were no investigations conducted into breaches of the APS Code of Conduct.

Ethical behaviour

We are committed to promoting and maintaining the standard of behaviour outlined in the APS Values and Code of Conduct, as set out in the PS Act. The ethical behaviour expected of ONA staff is covered in our corporate documents and is integrated into our Enterprise Agreement, personnel policies and procedures. We brief all new staff on expectations of ethical behaviour and conduct during induction and reiterate these requirements regularly during employment.

Public interest disclosure

The *Public Interest Disclosure Act 2013* (PID Act) promotes integrity and accountability in the Australian public sector by encouraging the disclosure of information about suspected wrongdoing, protecting people who make disclosures and requiring agencies to take action in relation to public interest disclosures. The IGIS oversees the operation of the Public Interest Disclosure (PID) scheme for ONA.

In accordance with the requirements set out in the PID Act, ONA participated in the IGIS's annual survey for the reporting period. ONA reported that there had been no PID investigations undertaken during 2017-18.

Security

ONA continues to place a high priority on the protection of our information, assets and people. An ongoing program to identify potential security threats (physical, cyber and personnel) has positioned us to make informed assessments of risk and to implement proportionate measures to enhance security and safety. The strength of ONA's security culture contributed to ONA avoiding major security incidents during 2017-18.

ONA's timeframe for completion of initial positive vetting security clearances, and revalidations of existing clearances, continued to improve over the reporting period. We achieved this by allocating additional resources to security vetting and reviewing and streamlining administrative processes. Going forward, we expect to further reduce the vetting timeframes through a greater use of technology in vetting and further process refinements.

Public Relations and Public Reporting

ONA's relationship with the general public extends to promulgation of information on the unclassified website www.ona.gov.au.

From 1 July 2017 to 30 June 2018 there were 51,973 views from 31,768 visitors to the public website, an increase of 10.36% and 14.24% respectively from 2016–17 numbers.

ONA contributes to a number of published reports and responds to Senate Orders, including:

- the Australian Public Service Commission (APSC) State of the Service Report
- the APS non-SES Remuneration Survey (APSC)
- Australian Government Property Data Collection Report (Department of Finance)
- Senate Orders and parliamentary questions
- legal services compliance and expenditure, and
- publishing contract notices to AusTender.

Financial Performance

ONA's operations are funded through departmental appropriations. Total annual appropriations received in 2017-18 was \$57.586m, which includes Departmental Capital Budget funding of \$3.963m and equity injections of \$11.700m.

Overview of financial performance

ONA remains in a sound financial position, operating within its appropriation with sufficient cash reserves to fund its debts as and when they fall due.

The operating result for 2017-18 was a surplus of \$4.36m, predominately driven by delays in recruitment activity. In monitoring financial performance, ONA excludes the impact of depreciation and amortisation as well as the impact of changes in asset revaluation surplus that affect the operating result.

Expense impacts

The increase in operating expenditure for 2017-18 is in line with the increase in revenue from Government. ONA expends the majority of its operating budget on employees. The increase in overall staff numbers in 2017-18 – due to additional funding received for the establishment of ONI – has driven the increase in employee expenses. Increased recruitment and travel expenditure (corresponding to the increase in overall staff numbers) were the prime drivers for a slight increase in total supplier expenses.

Revenue impacts

Revenue from Government increased during 2017-18 by \$9.958m due to additional funding received for the establishment of ONI.

We prepare our annual financial statements in accordance with provisions of the *PGPA Act*. The Australian National Audit Office (ANAO) scrutinises our accounts and audits our financial statements in line with the Australian Accounting Standards. ONA accounts were issued an unmodified audit report by the ANAO again this year.