

5 September 2019

Mrs Lucy Wicks MP  
Chair  
Joint Committee of Public Accounts and Audit  
By email: [jcpaa@aph.gov.au](mailto:jcpaa@aph.gov.au)

Dear Mrs Wicks

**Australian National Audit Office response to the Joint Committee of Public Accounts and Audit Report 477: Commonwealth Financial Statements - Second Report, and Foreign Investment in Real Estate**

I am writing in relation to the recommendations directed to the Australian National Audit Office (ANAO) contained in the Joint Committee of Public Accounts and Audit (JCPAA) Report 477, *Commonwealth Financial Statements - Second Report, and Foreign Investment in Real Estate*.

**Recommendation 5**

The Committee recommends that the Australian National Audit Office consider:

- undertaking an audit of one complete Commonwealth financial reporting cycle (for one or more Commonwealth entities), focused on clarity of terminology and a clear read of financial information (line of sight) across aggregated and disaggregated financial reporting documentation (budget papers, Portfolio Budget Statements, annual reports and financial statements)—including ease of tracking financial reporting information over time.
- reporting in greater detail on alternative financing mechanisms— such as equity investment, concessional loans and contingent liabilities—in its Key Audit Matter reporting for financial statement audits, to further promote public transparency in this area. Australian Govern

**ANAO Response:**

The audit outlined by the JCPAA will be considered as a possible next step in a series of ‘clear read’ audits as part of the ANAO’s future Audit Work Program planning. There is currently a performance audit underway of the *Commonwealth resource management framework and the clear read principle* which is examining the effectiveness of the design and implementation of the ‘clear read’ principle under the Commonwealth Resource management framework including whether:

- The Department of Finance has effectively established the clear read principle in the Commonwealth Resource management framework and monitored its implementation; and
- The Department of Defence, the Department of Health and the Department of Home Affairs addressed Parliamentary expectations, and established a clear link through their 2017–2018 performance measurement and reporting.

The ANAO plans to include information on the use of alternative financing mechanisms in the report to Parliament on the results of the 2018–19 financial statements audits (expected to be tabled in December 2019). Greater detail on alternative financing mechanisms will be considered for inclusion in any relevant Key Audit Matters reported in an entity’s auditor’s report.

### **Recommendation 7**

The Committee recommends that the Australian National Audit Office consider reporting back to the Committee on how the rollout of digitised annual reports by the Department of Finance might assist in the development of performance targets or benchmarks to enable Commonwealth entities to assess their own financial sustainability against agreed parameters over time and against like entities.

### **ANAO Response:**

Recent changes to the *Public Governance, Performance and Accountability Rule 2014*<sup>[1]</sup> require all Australian Government entities and companies to publish their annual reports “using the digital reporting tool administered by the Finance Minister”. This is expected to result in all 2018–19 Australian Government entity annual reports being published on [transparency.gov.au](https://transparency.gov.au).

The ANAO understands that, for the 2019–20 reporting period, Finance is intending to expand [transparency.gov.au](https://transparency.gov.au) to incorporate all entity Corporate Plans and Portfolio Budget Statements and expects that this will enable comparisons and a clearer read across the financial and non-financial performance information.

The ANAO will monitor progress in this area and consider how the availability of this information may assist in the monitoring of entity financial sustainability over time. The ANAO will include an update on progress in this area in a future report to Parliament on the results of financial statements audits.

Yours sincerely

Grant Hehir  
Auditor-General

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[\[1\]](#) See section 17ABA for requirements for non-corporate Commonwealth entities, section 17BCA for corporate Commonwealth entities and section 28CA for Commonwealth companies