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MANAGEMENT AND ACCOUNTABILITY

The ANAO supports the delivery of its outputs through a structured corporate governance framework, which ensures the effective management of business initiatives and other corporate activities.

CORPORATE GOVERNANCE

Key elements of the ANAO's corporate governance arrangements are outlined below.

EXECUTIVE BOARD OF MANAGEMENT (EBOM)

The purpose of EBOM is to provide leadership to the ANAO in achieving the objectives and strategies outlined in the ANAO's Corporate Plan, and assist the Auditor-General to meet his statutory responsibilities under both the *Auditor-General Act 1997* and the *Financial Management*

and Accountability Act 1997. The Board is responsible for setting and monitoring the ANAO's strategic directions, overseeing key business opportunities and risks, and the ANAO's budget.

At 30 June 2006 the membership of the Board comprised:

- Ian McPhee, Auditor-General (Chair);
- Steve Chapman, Deputy Auditor-General;
- John Meert, Group Executive Director, Performance Audit Services;
- Sheila Bird, Group Executive Director, Performance Audit Services;
- Warren Cochrane, Group Executive Director, Assurance Audit Services;
- Michael Watson, Group Executive Director, Assurance Audit Services;
- John Hawley, Executive Director, Corporate Management Branch; and
- Rachel Harris, Chief Finance Officer.



The Executive Board of Management as at 30 June 2006, from left Rachel Harris, John Meert, Warren Cochrane, Ian McPhee, John Hawley, Sheila Bird, Michael Watson and Steve Chapman.

The Board established three sub-committees, details of which are set out below.

AUDIT COMMITTEE

The ANAO's Audit Committee fulfils the requirements of section 46 of the *Financial Management and Accountability Act 1997*, which provides for each chief executive to establish and maintain an audit committee.

The broad functions of the Audit Committee are to:

- enhance the ANAO's control framework;
- improve the objectivity and reliability of externally published financial and other information; and
- assist the Auditor-General to comply with all legislative and other organisational objectives.

The Committee met four times in 2005–2006. At 30 June 2006 its membership comprised:

- Will Laurie, Chair and External Independent Member;
- Bruce Jones, External Independent Member;
- Steve Chapman, Deputy Auditor-General;
- Michael Watson, Group Executive Director, Assurance Audit Services; and
- Brian Boyd, Executive Director, Performance Audit Services.

Observers include: Geoff Wilson, Independent Auditor; Internal Auditors from *Acumen Alliance*, Nick Sheppard and Mark Maskell; John Hawley, Executive Director Corporate Management Branch; and Rachel Harris, Chief Finance Officer.

INFORMATION STRATEGY COMMITTEE

The Information Strategy Committee assists EBOM with strategic advice and policy business proposals on matters relating to information management and information and communications technology. At 30 June 2006 the membership of this committee comprised:

- Steve Chapman (Chair), Deputy Auditor-General;
- Alan Greenslade, Executive Director, Performance Audit Services;
- Mashelle Parrett, Executive Director, Research and Development Branch;
- John Hawley, Executive Director, Corporate Management Branch;
- Wayne Jones, Executive Director, Assurance Audit Services; and
- Gary Pettigrove, Chief Information Officer.

REMUNERATION COMMITTEE

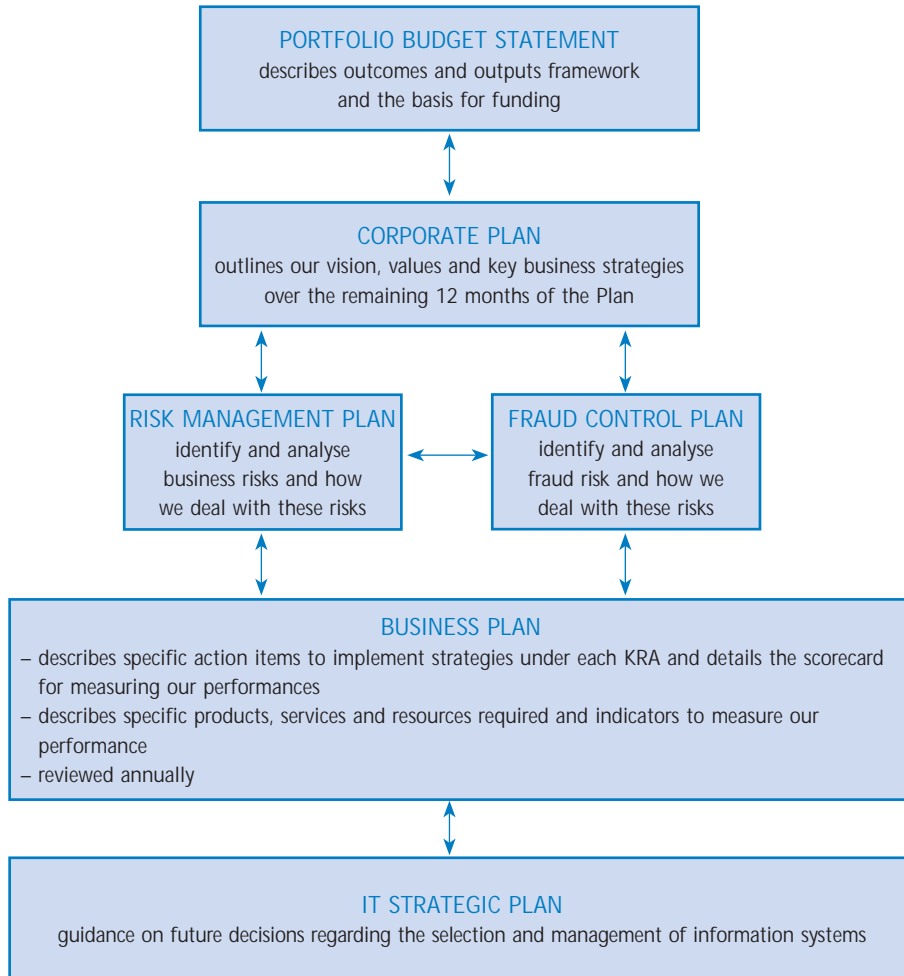
The Remuneration Committee is an advisory body for EBOM for the delivery and application of the ANAO remuneration policy and a decision-making body for determining individual remuneration arrangements. At 30 June 2006, the membership of this committee comprised:

- Steve Chapman (Chair), Deputy Auditor-General;
- Michael Watson, Group Executive Director, Assurance Audit Services;
- Warren Cochrane, Group Executive Director, Assurance Audit Services;
- Sheila Bird, Group Executive Director, Performance Audit Services;
- John Meert, Group Executive Director, Performance Audit Services; and
- John Hawley (Secretariat), Executive Director, Corporate Management Branch.

STRATEGIC PLANNING FRAMEWORK

Key elements of the ANAO's strategic planning framework are presented below.

FIGURE 9: STRATEGIC PLANNING FRAMEWORK



CORPORATE PLAN

The ANAO's Corporate Plan 2004–2007 is the defining document for all planning and other strategic and operational activities for its three-year period. The Plan outlines the vision, role and shared values of the ANAO. Services are delivered by focussing on the following four Key Result Areas (KRAs):

- our clients;
- our products and services;
- our people; and
- our business performance.

BUSINESS PLAN

The Business Plan is a three-year rolling plan that is updated annually.

The current Business Plan outlines how the KRAs from the Corporate Plan are to be achieved and provides a 'scorecard' so that the ANAO's performance against the KRAs can be assessed, monitored and measured.

RISK MANAGEMENT PLAN

The Risk Management Plan and individual plans for each of the Service Groups, Corporate Management Branch and Research and Development Branch, are updated at least annually. The annual review is designed to take account of any changes to our environment, including revised business requirements and changes to our control environment. The Risk Management Plan underpins the ANAO's corporate governance framework.



Devini Jayawardane and Cable Dohnt from Corporate Management Branch

In summary, the ANAO approach to risk management identifies risks associated with our business objectives. Risks are considered at both the strategic and operational level; in particular, how they relate to our strategic and business planning processes. In considering these risks we address the following questions: is our overall vision and direction appropriate? do our products meet client needs and expectations? are our resources adequate? and do we have sufficient capacity to deliver our products?

Our reputation for probity, accuracy, efficiency and ethical behaviour are among our most valued characteristics as an Office and all business risks identified in our Risk Management Plan are linked in some way to an overarching reputational risk. Our more serious individual business risks are now monitored by EBOM each month as a standing agenda item. The 2006-2007 Risk Management Plan is derived from Joint Standard AS/NZS 4360: 2004 and was completed in June 2006.

FRAUD CONTROL PLAN

A comprehensive Fraud Risk Assessment and Fraud Control Plan is maintained in accordance with the requirements of the *Commonwealth Fraud Control Guidelines May 2002 (CFCG)*. The fraud control plan is an important strategic document that links with our risk management framework and draws together all fraud prevention and detection initiatives that have been adopted into one consolidated document. As with our business risks, our major concern is a risk to our reputation as a result of fraudulent activity. Accordingly, we periodically review our fraud control framework to take account of any relevant changes in our environment. In addition, the fraud risk assessment and fraud control plan are reviewed at least every two years. The 2006–2008 Fraud Control Plan was completed in June 2006. Our more serious fraud risks are now monitored by EBOM each month as a standing agenda item.

The requirements of the CFCG have been implemented and we have appropriate fraud prevention, detection, investigation and reporting procedures and processes in place. Annual fraud data is reported to the Attorney-General's Department in accordance with CFCG Guideline 8.

INFORMATION AND TECHNOLOGY STRATEGIC PLAN

The IT Strategic Plan is a three year plan designed to guide future decisions regarding the selection and management of information services and associated technology. It is linked to our Corporate and Business Plans by providing a framework to facilitate business operations to enable us to achieve our objectives in the four key result areas set out in our Corporate Plan. The 2006–2008 IT Strategic Plan was approved in June 2006.

MAINTENANCE OF APPROPRIATE ETHICAL STANDARDS

The ANAO has a reputation for high professional and ethical standards and it is essential to the success of our work that we maintain this status. A guide to conduct, which includes ANAO values and behaviour, is promulgated to all staff, and also forms part of our induction training.

The ANAO *Guide to Conduct* provides information on the conduct expected of all ANAO employees in carrying out their responsibilities, including interacting with clients, fellow employees and other stakeholders. The Guide is framed around the central theme of the *APS Values and the APS Code of Conduct* set out in the *Public Service Act 1999*. It also refers to the package produced by the Australian Public Service Commission titled *APS Values and Code of Conduct in Practice: A Guide to Official Conduct for APS Employees and Agency Heads*. Additionally, the Guide reflects our own core values and behaviours, which focus on the key elements of *Respect, Integrity* and *Excellence* as shown in Figure 10. The Guide also recognises the importance of auditing and accounting standards developed by Australian auditing and accounting professional bodies.

FIGURE 10: ANAO VALUES AND BEHAVIOURS



EXTERNAL AND INTERNAL SCRUTINY

EXTERNAL AUDIT

Section 41 of the *Auditor-General Act 1997* (the Act) establishes the position of the ANAO Independent Auditor who undertakes the audit of our financial statements (see Appendix 2) and selected performance audits.

The Act also provides for the Governor-General to appoint an Independent Auditor, on the recommendation of a Minister. The Minister must not make a recommendation to the Governor-General unless the JCPAA has approved the proposal.

Michael Coleman's term as the ANAO's Independent Auditor ended in November 2005; he was replaced by Geoff Wilson, National Managing Partner KPMG Audit and Risk Advisory Services.

Mr Wilson provided an unqualified audit opinion of the ANAO's financial statements for the year ended 30 June 2006. There were no external performance audits conducted in 2005-2006.

INTERNAL AUDIT

The Internal Audit function is responsible to the Auditor-General through the Audit Committee for providing an assurance about ANAO systems and processes directed at attaining better practices and the objectives specified in the Corporate Plan.

Audits completed in 2005–2006 included reviews of:

- salary sacrifice;
- protective security;
- the *Auditor-General Act 1997*;
- asset management;
- flex and toil leave;
- IT security;
- internal audit recommendations made in 2004–2005; and
- compliance with administrative procedures.

Audits in progress at 30 June 2006 are set out below:

- system under development audit for the HR system upgrade;
- system under development audit for *TeamMate* implementation; and
- review of time recording.

The audits found that the activities subject to audit were operating in a generally satisfactory manner and made a number of recommendations designed to improve performance in the areas reviewed. All recommendations were agreed and action has either been taken or is in progress to address them.

DECISIONS BY COURTS AND TRIBUNALS

There have been no decisions by courts or tribunals affecting the ANAO during 2005–2006.

COMMONWEALTH OMBUDSMAN

The Commonwealth Ombudsman made no reports to the ANAO under sections 15, 16 or 19 of the *Ombudsman Act 1976* during the year.

MANAGEMENT OF HUMAN RESOURCES

An overview of our staffing profile is provided at Appendix 1, Tables A1–1, A1–2, A1–3 and A1–4. During the past year we have built on previous work designed to enhance the management of our workforce. The key initiatives are described below.

ATTRACTION AND RETENTION OF STAFF

Accounting skills remain in strong demand in the private sector and as a result there were difficulties in attracting talented and suitably qualified people over the past year. In addition to previous measures to improve the attraction and retention, a working group was established to implement a range of key initiatives aimed at the attraction and retention of staff. These initiatives include:

- engaging an external recruitment agency to focus on providing appropriate candidates;
- a review of the advertising and marketing strategy;
- widening the market search to include overseas sources;
- expanding the undergraduate program;
- expanding the secondment program for AASG and PASG staff; and
- conducting special evening sessions for prospective candidates.

The Remuneration Committee conducted a review of all staff remuneration with a view to ensuring fairness in the application of our remuneration policy. A remuneration model is also being developed, in consultation with the Workplace Consultative Forum, to guide future decisions on staff remuneration.

STAFF INDUCTION

To facilitate a smooth and effective induction into the ANAO, all new staff are provided with the following:

- an induction package before they join the ANAO;
- a self-paced e-induction program which is required to be undertaken in their first few days at the ANAO;
- a presentation of Business Knowledge Modules by supervisors within their first month at the ANAO; and
- specific work area training and service group induction modules and checklists within the first six months at the ANAO.

MATURING WORKFORCE

Older staff are recognised and valued at the ANAO and we provide the following information to assist in considering employment options:

- a maturing workforce paper outlining short and long term strategies to be implemented;
- an information brochure setting out our approach to managing an ageing workforce;

- staff seminars on topics relating to financial and work-life matters; and
- an intranet site to provide information on a range of topics of interest to mature age workers.

ANAO WORKPLACE AGREEMENT 2006–2009

A new three year Workplace Agreement was negotiated with staff, effective from 1 June 2006. The agreement is an employee collective agreement between management and staff, in keeping with previous agreements. The agreement was negotiated with staff under the new Work Choices legislation. The key elements of the agreement are:

- salary increases totalling 12 per cent over the life of the agreement;
- an ongoing assessment regime that provides incentives for sustained performance;
- continuation of five weeks annual leave and an extension of carer's leave to include five days from sick leave credits;
- access to paid compassionate leave; and
- further flexibility in working conditions to support our audit program and to facilitate a better balance between work and personal life.

Australian Workplace Agreements (AWA) are available to all staff. For those staff employed on AWAs, employment packages are tailored to meet individual and organisational requirements.

PERFORMANCE AND ASSESSMENT SCHEME

The ANAO has a four-tier Performance Assessment Scheme. This scheme provides timely feedback to staff on their overall work performance and individual development, while at the same time providing a mechanism to recognise and reward those who have attained high levels of performance. The Scheme requires the preparation of a formal report and rating in November of each year with a mid-cycle review in April. Minor changes as a result of the new Workplace Agreement will be implemented in the coming year.

A summary of ratings for the reporting year are set out in Table 4. It should be noted that there are some staff not included in the Performance Assessment Scheme, for example, graduates and those staff who do not meet minimum service criteria.

TABLE 4: SUMMARY OF PERFORMANCE ASSESSMENT RATING FOR THE PERIOD ENDING 31 OCTOBER 2005

Rating	Outstanding	More than fully effective	Fully effective	Unsatisfactory	Total
ANAO Bands 3 and 4 (Exec level 1 and 2)	9	50	53	2	114
ANAO Bands 1 and 2 (APS 1-6)	2	56	68	1	127
Total	11 (5%)	106 (44%)	121 (50%)	3 (1%)	241

STAFF SURVEY

The annual staff survey allows us to assess a range of personnel issues and report on targets and strategies from our Corporate and Business Plans. This year’s survey achieved a 68 per cent response rate, and indicated a steady improvement across most areas of the organisation. In particular, the survey results provided valuable information for our workforce planning, such as career planning for staff, staff turnover and staff mobility expectations. Overall, 71 per cent of respondents indicated they were satisfied with their work, which meets our Business Plan target of greater than 70 per cent.

SES CONFERENCES

SES conferences provide the executive and senior management with a forum to consider business issues away from the distractions of the normal work environment.

Two SES conferences were conducted over the reporting year. The conference in November 2005 focussed on the theme of integration and ways of achieving efficiencies by improving, for example, communication between functional groups as well as better work practices and more efficient use of resources. The March 2006 conference addressed, among other things, staff retention, risk management and the forthcoming business plan, including key projects for the coming year.

WORKPLACE CONSULTATIVE FORUM

The Workplace Consultative Forum (WCF) plays an important role in facilitating consultation on a range of operational and strategic issues affecting staff in the workplace. In 2005–2006 the WCF comprised three staff elected representatives, three union members and three management representatives.

The WCF met twice during the year, down from six meetings in 2004–2005. The frequency of meetings was less than in 2004–2005 due to the emphasis placed on developing the new Workplace Agreement.

SES REMUNERATION

SES pay is determined largely by using public sector market benchmarks as a guide, such as those set out on the APS Remuneration Survey. The nature of the work, specific skills and the individual contribution to ANAO business outcomes is also taken in account. SES remuneration is set out under note 13 of the ANAO Financial Statements, presented in Appendix 2.

PERFORMANCE PAY

In 2005–2006, a total of \$0.656 million in performance bonuses was paid to eligible ANAO staff (\$0.819 million in 2004–2005). Aggregated information on performance pay is set out in Appendix 1, Table A1–8.

LEARNING AND PROFESSIONAL DEVELOPMENT

The Learning and Professional Development Program recognises the importance of highly performing individuals and teams in delivering quality audit products and services. This requires the acquisition of skills and capabilities, and a commitment to continuous improvement, innovation, learning and knowledge sharing.

Learning and professional development in the ANAO is managed through an integrated learning and development program which forms part of human resource management framework. The key elements of the program consist of:

- an annual Professional Development Calendar that lists available courses;
- a Personal Development Scheme that includes an Individual Development Plan;
- individual staff and work group development opportunities; and
- a suite of targeted in-house technical and management courses;

All in-house and external courses are posted on the ANAO Corporate Calendar. To enable longer term planning, these courses are notified approximately twelve months in advance of the presentation dates.

The Learning and Development Framework Policy is underpinned by a Capabilities Framework, and as such, is based on the skills and knowledge identified as being critical to ongoing work efficiency, effectiveness and professional growth.

Supervisors and staff are required to provide an assessment of any on-the-job performance improvements that came from attending substantive courses or learning opportunities, such as conferences or professional seminars. The overall result of these assessments is reported in our scorecard in the section, “Reporting on Performance”.

PERSONAL DEVELOPMENT SCHEME

The Personal Development Scheme is an element of the ANAO performance management regime and provides a structured process for staff and their supervisors to engage in an annual discussion about each staff member's personal development needs. It also provides a formal and structured process for assessment against the ANAO capabilities to determine individual staff development needs, including academic studies, and future career options. Identified training and development needs are incorporated into annual Individual Development Plans and form the basis of the core and non-core courses contained in the Learning and Development Calendar.

OTHER PROFESSIONAL DEVELOPMENT OPPORTUNITIES

Work groups are encouraged and supported to take responsibility for their own professional development through opportunities that are tailored to meet their specific training needs including any technical requirements.

STAFF SEMINAR SERIES

The Staff Seminar Series provides an opportunity for staff to engage with a wide range of senior professionals who present their perspectives on topical issues. Four sessions were presented this year by: the President of the Administrative Review Council; the Clerk of the Senate; the Australian Public Service Commissioner and the Chief Financial Officer for Australian Government Financial Reporting.

SECONDMENT/EXCHANGE PROGRAM

The secondment and exchange program provides an opportunity for staff to work in other organisations to enhance their skills and knowledge by sharing experiences, information and knowledge. This arrangement is also a reward mechanism for sustained high performance and forms part of our retention strategy.

PLACEMENT IN APS AGENCIES

A total of six staff members were seconded over the reporting year on a full cost-recovery basis. Five staff members from Assurance Audit Services worked in finance areas of selected agencies set out in Table 5. These placings facilitated a better understanding of the working environment and finance operations in these agencies. One staff member from Performance Audit Services was engaged in non-audit work experience in a line area of the Department of Employment and Workplace Relations.

PLACEMENT IN PARLIAMENTARY COMMITTEES/DEPARTMENTS

Two Performance Audit staff were selected for short term placement with the Joint Committee of Public Accounts and Audit and the Department of the Senate. These placements were intended to improve the individual's understanding of the Parliamentary process and foster stronger relationships between the ANAO and Parliamentary committees and departments.

EXCHANGE PLACEMENT – CANADA AND IRELAND

The exchange placements program with the Office of the Auditor-General of Canada and the Office of the Comptroller and Auditor-General of Ireland continued this year. The placements involved staff members from the Assurance Audit Services Group working overseas for a four to eight week period, with reciprocal arrangements as set out below. These placements are viewed as an important development opportunity for the individuals concerned, who are exposed to a range of valuable work experiences. In addition, some placements have enabled us to reduce the use of contractors at peak periods. A similar program for the Performance Audit Services Group has been established with the Office of the Auditor-General of Canada, to commence in August 2006.

TABLE 5: SUMMARY OF STAFF SECONDMENTS AND EXCHANGES DURING 2005–2006

Secondments/Exchanges to the ANAO	From
John McCullough	Office of the Auditor-General of Canada (3 years)
Michelle St-Jean	Office of the Auditor-General of Canada
Chantal Archambault	Office of the Auditor-General of Canada
Secondments/Exchanges from the ANAO	To
Joe Rodrigo	Office of the Auditor-General of Canada
Gil Kensitt	Office of the Auditor-General of Canada
Huyen Tran	Office of the Auditor-General of Canada
Lorena Skipper	Office of the Comptroller and Auditor General of Ireland
Martin Simon	Office of the Comptroller and Auditor General of Ireland
Charles Strickland	Department of Agriculture, Fisheries and Forestry
Robert Ford	Department of Health and Ageing
Suzannah Ridley	Australian Taxation Office
Kaija Barclay	Therapeutic Goods Administration
Lauren Pickles	Australian Customs Service
Mark Simpson	Department of Employment and Workplace Relations
Natalie Whiteley	Joint Committee of Public Accounts and Audit
Rebecca Manen	Department of the Senate

UNDERGRADUATE PROGRAM AND ICAA ACHIEVERS PROGRAM

In 2005–2006 we continued to build on the undergraduate program with the University of Canberra, Australian National University and The Institute of Chartered Accountants of Australia (ICAA), and a total of seven accounting students were engaged to undertake vacation employment with Assurance Audit Services Group. The longer-term objective of this program is to have high performing undergraduates apply for positions in the ANAO’s annual graduate intake.

PROFESSIONAL QUALIFICATIONS AND REPRESENTATION

STUDIES ASSISTANCE

During 2005–2006, 70 staff members were supported with their study programs. Of these, 48 students participated in the ICAA or CPA Australia programs, while the remaining students undertook programs directly related to information technology, vocational, or post-graduate university study. Those who completed their CPA and ICAA programs and other tertiary studies during the year, with assistance from the ANAO, are set out in Table 6.

TABLE 6: SUMMARY OF STUDIES COMPLETED BY STAFF MEMBERS

Staff Member	Studies Completed
Garry Sutherland	CPA
Sonia Domitrak	CPA
Suzannah Ridley	CPA
Tracey Rankin	CPA
Theresa Williams	CPA
Daniel Walker	ICAA
Andrew Sibraa	Graduate Diploma in Applied Finance and Investment
Ben Ismay	Bachelor of Commerce (Accounting)
Deborah Jackson	MBA
Kirsty Stuart	Graduate Certificate in Performance Auditing
Peter McVay	Graduate Certificate in Sustainability
Sally Ramsey	Graduate Certificate in Performance Auditing
Sharon Haines	MBA
Matthew Plum	CISA



REPRESENTATION

A number of members of ANAO staff have roles outside the organisation that contribute to the auditing and accounting profession. Details of these are as follows:

- The Auditor-General, Ian McPhee, is a member of the Auditing and Assurance Standards Board (AUASB) and the International Auditing and Assurance Standards Board (IAASB), which functions as an independent standard setting body under the auspices of the International Federation of Accountants (IFAC). He is a Fellow of both CPA Australia and the ICAA in Australia and also a member of the International Organisation of Supreme Audit Institutions (INTOSAI) Professional Standards Committee and the INTOSAI Privatisation Committee;
- The Deputy Auditor-General, Steve Chapman, is the President of the ACT CPA Australia Divisional Council for 2006, as well as a member of the INTOSAI Tsunami Task Force;
- Michael Watson is the Vice Chairman the ACT Regional Council of the Institute of Chartered Accountants Australia;

- Paul Hinchey is the Convenor of the CPA Sydney Accountants in Government Discussion Group;
- Wayne Jones is the Chair and Oceania representative on the Governmental and Regulatory Agencies Board for the Information Systems Audit and Control Association (ISACA); and
- Summer McPhee, Ann Towers and Cha Jordanoski are members of the ACT CPA Young Professional Network Committee.

A full list of papers and presentations by the Auditor-General and senior ANAO officers in 2005–2006 is set out in Appendix 5.

NOTABLE ACHIEVEMENTS

Dr Paul Nicoll from Performance Audit Services has written a book in a private capacity titled *Audit in a Democracy. The Australian Model of Public Sector Audit and its Application to Emerging Markets*, Ashgate, UK, 2005. The book was released in December 2005.

The book explores the role of public sector audit in emerging democracies and developing countries. It provides an account of the relationship between the public sector auditor, the legislature and executive government. In particular, it introduces public sector audit's capacity to assess government agencies' compliance with the law and their management of programs. The book is not an audit manual, rather it shows how elected legislatures can use public sector audit to hold executive government accountable for its use of taxpayer moneys.

CPA Australia recently launched their CPA Careers DVD. This DVD provides students with an insight into the career opportunities in a career in accounting. Cha Jordanoski from Assurance Audit Service Group features on this DVD.

GRADUATE CERTIFICATE IN PERFORMANCE AUDIT AND EVALUATION

The Graduate Certificate in Performance Auditing was established by the University of Canberra in collaboration with the ANAO. The first students were enrolled in 2001, and in 2005 the University revised the Graduate Certificate course into a mainstream course for those students seeking study in the performance audit and evaluation fields.

The Graduate Certificate in Performance Audit and Evaluation comprises two units in performance audit and evaluation, and two elective units. Two ANAO performance auditors, Sally Ramsey and Kirsty Stuart, graduated from the Graduate Certificate course in 2005. The Course is designed for students to complete part-time over two semesters and provides:

- a critical appreciation of the contribution of performance audit and evaluation to public accountability and management improvement;

- knowledge and skills applicable to a wide range of audit and evaluation projects, including compliance audits, efficiency audits and effectiveness reviews; and
- an opportunity for graduates in a variety of disciplines to extend their knowledge of public sector organisations and related processes.

GRADUATES

Thirteen graduates commenced employment with the ANAO on 30 January 2006. After completing a one-week induction program, graduates were placed into work areas in the assurance audit service group. During their first 12 months, all graduates participated in an intensive development program, which included technical training, people management, and a range of general training and skill development.



The 2006 Graduate intake. Standing from left to right: Pamela Foster (Graduate Coordinator), Kenneth Weir, Jennifer Dwyer, Lucinda Kelly, Le Thai, Hui Zhi Cheung, Michelle Hodge, Christine Murton, and Stuart Wall. Seated from left to right: Ross Tsokas, Matthew Geysen, Robert Hayes, Callum Jarratt,

AWARDS AND RECOGNITION

The ANAO supports an awards system that recognises and rewards individual staff and teams who make a significant contribution to achieving business objectives. This includes such areas as client service, people management, business management, and audit management and innovation. The award system comprises in order of importance: The Auditor-General's Annual Awards for Outstanding Achievement; the National Australia Day Council's medallion; and the Auditor-General's Certificates of Appreciation.

THE AUDITOR-GENERAL'S ANNUAL AWARDS FOR OUTSTANDING ACHIEVEMENT

The Auditor-General's Annual Outstanding Achievement Awards for 2006, were awarded to the following members of staff:

- Carolyn Cooper, Lorena Skipper, Serena Buchanan, Julie McNamara, and Allan Thompson, members of the AASG Resources Team—for *playing a key role in a competitive labour market in ensuring the optimal use of in-house staff and contractors so that the ANAO could meet its audit obligations.*

- Peter McVay and Cameron Mathie, members of the Green Procurement Audit Team—for the production of the Green Procurement Audit Report which will significantly improve public administration in the area of environment sustainability. The report was highly commended by the Secretary, Department of the Environment and Heritage and the House of Representatives Environment Committee.



Winners of the Auditor-General's Annual Outstanding Achievement Awards. Left to right: Tracy Kendall, Margaret Knox, Carolyn Cooper, Julie McNamara, Allan Thompson, Christina Brauer, Cameron Mathie, Lorena Skipper, Peter McVay, and Serena Buchanan. Absent: Mary-Ann Kava.

- Margaret Knox, Christina Brauer, Tracey Kendall, and Mary-Ann Kava as members of the Personnel Team—for the upgrading of the existing PeopleSoft payroll system while continuing to provide high quality payroll services using the old system. The project was completed on time and within budget.

NATIONAL AUSTRALIA DAY COUNCIL MEDALLIONS

The Auditor-General presented the 2006 National Australia Day Council medallions to the following members of staff:

Carolyn Cooper—for her valuable contribution to people, resource and relationship management in AASG and the delivery of high quality audits over a number of years.

Anne Neilson—for her valuable contribution over a number of years to the ANAO's record management function by providing exceptional service to her clients in the Service Groups and always being of assistance to her work colleagues.

Tina Long—for her significant contribution to the improvement in public administration as the audit manager of a number of important performance audits in the Defence and Finance portfolios.

Rebecca Reilly—for her valuable professional and personal contribution to the AASG Service Group at various levels over a number of years, and for her contribution to the well being of ANAO staff in her role as the Convenor of the Social Club.

WORKPLACE DIVERSITY

The ANAO is committed to promoting and supporting social justice, equity and diversity in the workplace by recognising and promoting in its people a range of abilities and skills, and also valuing those with different languages, cultures and backgrounds. The ANAO Workplace Diversity Program sets out policies, priorities, responsibilities and performance information, for all staff. We also have a network of trained Diversity Contact Officers to provide support and advice to staff as required. An analysis of workplace diversity within salary levels is provided in Table A1-4.



Winners of the National Australia Day Council Medallions. From left: Tina Long, Anne Neilson, Rebecca Reilly and Carolyn Cooper.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

The ANAO continues to maintain a commitment to the health, safety and welfare of its staff and others who work at the ANAO. The OH&S Committee is responsible for guiding the ANAO in respect of health and welfare awareness and convened on four occasions in 2005–2006. The Committee also addresses a variety of OH&S issues that arise throughout the year. Minutes of the Committee meetings are communicated to all staff via the intranet.

Health and safety representatives are nominated and elected by ANAO employees in accordance with the *Australian National Audit Office/Community and Public Sector Union Occupational Health and Safety Policy and Agreement 1999*. All health and safety representatives undergo appropriate Comcare accredited training. OH&S training is also an integral part of the induction process for new employees.

Free influenza vaccinations were again provided to all staff who wished to participate in this initiative. We also provided free health assessments to interested staff. During the year, considerable work was done in ergonomic and workstation assessment, which ensures that staff have appropriate equipment and knowledge to work safely in an office environment. OH&S issues are promoted through the frequent circulation of information bulletins and hazard alerts via email and hard copy. These documents, along with our OH&S policies, are also available to all staff through the intranet.

INCIDENTS DURING 2005–2006

During 2005–2006, there were four minor compensation claims as a result of three motor vehicle accidents and one injury sustained at work. Two incidents were reported under the *Occupational Health & Safety (CE) Act 1991*. These incidents were potentially hazardous situations both of which occurred in an office environment. There were no serious injuries. There were no tests, directions or notices given under sections 30, 45, 46 or 47 of this Act.

EMPLOYEE ASSISTANCE PROGRAM

The Employee Assistance Program (EAP), provides access to confidential professional counselling services for staff and their families. This service is offered to assist staff with any personal or work-related problems.

COMMONWEALTH DISABILITY STRATEGY

The 2005–2007 ANAO Workplace Diversity Program, together with our OH&S policies, broadly addresses the following performance indicators for an employer as specified in the Commonwealth Disability Strategy:

- *Employment policies, procedures and practices comply with the requirements of the Disability Discrimination Act 1992.* These requirements are incorporated into our policies, procedures and practices across a variety of areas in the organisation, including workplace diversity, OH&S, recruitment and professional development.
- *Recruitment information for potential job applicants is available in accessible formats on request.* All recruitment information is available in a variety of accessible formats including through an online application system.
- *Agency recruiters and managers apply the principle of ‘reasonable adjustment’.* This principle is integrated into our 2005–2007 Diversity Program and OH&S policies. Under the Workplace Diversity Program, all supervisors and managers are required to support staff who require reasonable adjustment. Selection panel staff are also trained to be sensitive to disability issues.
- *Training and development programs consider the needs of staff with disabilities.* Staff members are asked if they have any special requirements to enable them to fully participate in the program when registering.
- *Training and development programs include information on disability issues as they relate to the content of the program.* Training on disability issues is provided on a needs basis. Graduates and other new employees are made aware of disability and diversity issues during their induction processes.
- *Complaints and grievance mechanism, including access to external mechanisms, in place to address issues and concerns raised by staff.* The ANAO has established a number of complaints and grievance mechanisms. These are specified in our Workplace Agreement and internal fair treatment procedures. Alternatives are available to staff, including internal counselling through Diversity Contact Officers and external counselling through the Employee Assistance Program.

Reporting of disability matters is undertaken as part of our annual Staff Survey, the Workplace Diversity Program and under our OH&S policies framework. We have four members of staff with reported disabilities in 2005-2006 and we ensure that the necessary measures are in place to enable them to carry out their duties.

OTHER MANAGEMENT ISSUES

A range of other management activities and services are undertaken in support of our primary audit functions. These include financial management, property management, management of legal matters, production of reports and publications, and the provision of IT and administrative services.

CONSULTANCY SERVICES

During 2005-2006 new consultancy contracts were entered into amounting to total expenditure of \$1.530 million. In addition, 11 ongoing consultancy contracts were active during the 2005-2006 year, involving total expenditure of \$0.543 million. Further details of these consultancies are provided at Table A6-1 in Appendix 6.

MAJOR COMPETITIVE TENDERING AND CONTRACTING ACTIVITIES

The major competitive tendering and contracting out of services is described below. This section includes contracts let in 2005-2006 or during a previous reporting period for which the contract is still current. All tenders and contractual arrangements are carried out in accordance with the Commonwealth Procurement Guidelines and contracts are subject to evaluation. We are satisfied that our procedures meet our business needs and provide good value for money.

IT SERVICES

The ANAO IT contract with Unisys Australia was renewed in July 2003 for a further four years. The partnership with Unisys is a professional and effective arrangement that continues to meet the business needs of the ANAO.

LEGAL SERVICES

A panel of four legal firms provides legal services under an agreement from April 2004 to April 2007. The panel comprises the *Australian Government Solicitor*, *Mallesons Stephen Jacques*, *Minter Ellison* and *Phillips Fox*. The current panel provides timely and cost effective legal advice to the ANAO across a wide spectrum of issues.

PUBLISHING SERVICES

Canprint Communications Pty Ltd is the external service provider for all audit report publishing services under a contract let in December 2001. The contract was extended for a further two years in December 2004. This has been a successful partnership that has seen a number of significant improvements in our report publishing arrangements.

RECRUITMENT ADVERTISING

During 2005–2006, the ANAO spent \$0.089 million on recruitment advertising. Details of advertising expenditure are set out in Table 5.

TABLE 7: DETAILS OF ADVERTISING EXPENDITURE

Firm	Purpose	\$ million
HMA Blaze	recruitment	0.066
TMP Worldwide	recruitment	0.008
Cantlie Recruitment Services Pty Ltd	recruitment	0.011
John Fairfax Publications Pty Limited	recruitment	0.004
Total		0.089

FREEDOM OF INFORMATION

The Auditor-General is exempt from the provisions of the *Freedom of Information Act 1982* but, to the extent appropriate, provides information on request in the spirit of the Act. All audit reports once tabled, are available to the public on the ANAO internet home page or in hard copy.

ENVIRONMENTAL PROTECTION AND BIODIVERSITY CONSERVATION

Section 516A of the *Environment Protection and Biodiversity Conservation Act 1999* (the EPBC Act) requires Australian Government organisations to include in their annual reports:

- a report on the environmental performance of the organisation; and
- the organisation’s contribution to Ecologically Sustainable Development (ESD).

ENVIRONMENTAL PERFORMANCE

The EPBC Act requires agencies to report on: the effect of the organisation’s activities on the environment; the measures taken by the organisation to minimise this impact; and the mechanisms for reviewing and increasing the effectiveness of these measures. The ANAO’s activities impact on the environment in two ways: firstly, through audits of agencies with environmental responsibilities; and secondly, through our administrative operations. The impact of our audits is discussed below under the heading ‘Contribution to ESD’.

We continue to support the Australian Greenhouse Office’s Working Energy Program. During the year we continued to develop our Environmental Management System, which provides a formal structure to allow the ANAO to identify and manage environmental risk and improve environmental performance.

This strategy is underpinned by a comprehensive maintenance contract for heating, ventilation and air conditioning, electrical and essential services in respect of the ANAO's premises. The contract stipulates that the contractor must achieve specified annual savings in energy costs and consumption.

The major new initiative this year was the introduction of a comprehensive recycling regime which includes recycling of:

- organic waste that is sent to a local worm farm;
- paper waste; and
- all fluorescent globes and toner cartridges.

Our aim is to reduce our waste to landfill to the lowest practical level. Our waste removal service provider will not be equipped to weigh our waste for some time, but as a guide, the frequency of pick up for general waste has reduced from five days a week to two days a week as a direct result of this initiative.

CONTRIBUTION TO ESD

The EPBC Act requires agencies to report on how their activities and their administration of legislation accord with the principles of ESD. The ANAO does not administer any programs or legislation that explicitly mention ESD. However, our audit activities do allow the ANAO to report on those agencies with a more direct influence on the environment. The ANAO conducted two performance audits that were directly relevant to ESD:

- Audit Report No.19 2005–2006 *Managing for Quarantine Effectiveness- Follow Up*; and
- Audit Report No.22 2005–2006 *Cross Portfolio Audit of Green Procurement*.

Under the EPBC Act, the ANAO is required to report on how its outcomes specified in the Appropriations Act contribute to ESD. The ANAO's two outcomes are: Outcome 1, improvement in public administration; and Outcome 2, assurance of public sector reporting, administration, control and accountability. The audits mentioned above contributed to an improvement in the understanding of the issues involved in both areas under review. A number of recommendations were made in each report which were aimed at improving the administration of these two high profile environmental initiatives.

SERVICE CHARTER

In a broad sense, the ANAO provides a service to the community through its public audit reports and other products such as better practice guides. As the ANAO does not provide a direct service to members of the public, there is no service charter document published.

DISCRETIONARY GRANTS

The ANAO does not administer any grant programs and therefore has no grant recipients.

ASSESSMENT OF EFFECTIVENESS OF ASSETS MANAGEMENT

The ANAO has a comprehensive assets management policy set out in Auditor-General Instructions and supporting procedural rules. High value assets are subject to rigorous whole-of-life management including formal tendering for acquisition, scheduled maintenance and detailed accounting of disposal or return at end of life. Our asset management practices are designed to protect the interests of the Commonwealth.

ASSESSMENT OF PURCHASING AGAINST CORE POLICIES AND PRINCIPLES

As for asset management, the ANAO has comprehensive procurement guidelines set out in Auditor-General Instructions and supporting Procedural Rules which are derived directly from the *Commonwealth Procurement Guidelines*. All purchasing is bound by these Procedural Rules under the underlying principle of “value for money” and are routinely the subject of internal audit. In addition, all contractual performance is subject to evaluation by the relevant ANAO client. Our procurement practices are designed to protect the interests of the Commonwealth.

EMERGENCY AND BUSINESS CONTINUITY PLANS

The ANAO has a comprehensive Business Continuity Plan (BCP) supported by an emergency evacuation plan. The evacuation plan was tested successfully twice in the past year. A large turnover of key BCP personnel required that a familiarity exercise be conducted to allow newly appointed officials to test their knowledge in a low stress environment. This exercise was conducted in May 2006.