

2.13 What is the role of the Australian National Audit Office (ANAO)?

The ANAO is established to assist the Commonwealth Auditor-General to carry out his or her duties. The ANAO audits the activities and performance of government agencies, authorities and companies. The financial statement audits are undertaken to express an opinion on the financial statements, which are presented to parliament. The performance audits are aimed at examining the economy, efficiency and effectiveness of the operations of government entities.

The auditor-general (A-G) is an independent officer of Parliament (similar to both State and Commonwealth) who audits and report to the Parliament on activities (including financial and operational) and performance of the following:

- Government Agencies,
- Authorities,
- Government-owned companies and their controlled entities

The appointment, removal and responsibilities of the A-G are governed under The Auditor-General Act 1997 (Cwlth) and is appointed by the governor-general. ANAO is the audit office for the Parliament and the Commonwealth agencies and statutory bodies. ANAO provides a full range of audit services for the public sector. Employees of the ANAO carry out various audit functions under the guidance, authorisation and charter of the A-G, who is essentially the head of ANAO.

The auditor-general of Victoria is essentially the head of the Victorian state branch of ANAO and employees of ANAO Victoria conduct audit engagements on Victoria's government agencies, authorities and state-owned companies, under his direction.

2.14 How do internal auditors assist the board of directors of an organisation?

The objective of internal auditing is to assist members of the organisation and the board of directors confirming that their responsibilities have been effectively discharged.

Internal auditors can assist the board of directors of an organisation in the following ways:

- As internal auditors are directly reporting to the Audit Committee, the Audit Committee can advise the board of the level of compliance and performance in relation to each director's portfolio of responsibilities,
- Independently review operations or programs to ascertain whether they are being carried out consistently with the board's objectives and policies,
- Assisting the board to improve on governance policy's setting and operations by providing recommendations,

- Providing evidence-based information regarding the effectiveness of internal controls and risk management policies and processes,
- Giving assurance on financial and management reports.

2.15 What are the differences between the independence of an internal auditor and that of an independent auditor? How can an internal auditor be truly independent?

Independence for internal auditors differs from the external auditor's because internal auditors are employees of the companies they audit. Independence is achieved through organisational status and objectivity. Some ways of enhancing independence are:

- The chief internal audit executive is responsible to an individual in the organisation with sufficient authority to promote independence and to ensure broad audit coverage and adequate consideration of audit reports, and appropriate action on audit recommendations.
- The chief internal audit executive has direct communication with the board of directors or its audit committee.
- The internal audit department has a formal charter that defines its purpose, authority and responsibility.

2.16 How do the phases of an operational audit differ from the phases of a financial statement audit?

The phases of an operational audit are:

- Select the auditee.
- Plan the audit.
- Perform the audit.
- Report findings to management.
- Perform follow up.

The principal differences between an operational audit and a financial report audit are:

Phase	Operational Audit	Financial Statement Audit
Initial	Select auditee	Accept client
Reporting	To management	To members
Post-reporting	Perform follow up	None

2.17 Summarise the 'accountability' framework of the public sector.

The accountability framework consists of the auditor-general being the independent auditor who undertakes the audit and reporting function on all Government departments, agencies and entities. He or she provides an assurance to parliament that public resources have been used appropriately.