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Auditor-General for Australia



13 October 2025

Hon Shayne Neumann MP
Chair
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

By email: jscfadt@aph.gov.au

Dear Mr Neumann

ANAO submission to the inquiry into the Department of Defence Annual Report 2023-24.

The Australian National Audit Office (ANAO) audits the activities of the Department of Defence (Defence) across its program of audit services, which includes performance audits, financial statements audits and performance statements audits.

Performance audits

The ANAO presented the following performance audits to the Parliament that you may find relevant to the above inquiry:

- Auditor-General Report No. 50 2024–25, [*Department of Defence's Sustainment of Canberra Class Amphibious Assault Ships \(Landing Helicopter Dock\)*](#);
- Auditor-General Report No. 31 2024–25, [*Maximising Australian Industry Participation through Defence Contracting*](#);
- Auditor-General Report No. 2 2024–25, [*Defence's Management of ICT Systems Security Authorisations*](#);
- Auditor-General Report No. 1 2024–25, [*Defence's Procurement and Implementation of the myClearance System*](#);
- Auditor-General Report No. 47 2023–24, [*Defence's Management of Contracts for the Supply of Munitions — Part 1*](#);
- Auditor-General Report No. 45 2023–24, [*Defence's Management of Recruitment Advertising Campaigns*](#); and
- Auditor-General Report No. 6 2023–24, [*Defence Assistance to the Civil Community*](#).

Information about what the audits assessed, concluded, and recommended is attached. The full audit reports are available online at www.anao.gov.au.

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Major Projects Report

The annual Defence Major Projects Report (MPR) is prepared by Defence and reviewed by the ANAO at the request of the Joint Committee of Public Accounts and Audit (JCPAA). The report provides the Parliament with assurance over the cost, schedule and delivery of major Defence acquisition projects.

The most recently tabled review of the MPR was the seventeenth produced by the ANAO (Auditor-General Report No. 20 2024–25, [2023–24 Major Projects Report](#)) and covered 21 Major Projects with a total approved budget of \$81 billion, which is 33.1 per cent of the total \$245 billion budget for major and minor Defence acquisition projects. A summary of the report is attached.

The Auditor-General concluded that, with one exception¹, nothing came to her attention that caused her to believe that the information reviewed was not prepared in accordance with the guidelines. An Emphasis of Matter was also made on the impact of Defence’s security review, which has contributed to a reduction in transparency to the Parliament.² The JCPAA is currently conducting an [inquiry into the 2023–24 Major Projects Report](#).

Financial statements audits

2023–24 Financial Year

The Department of Defence (Defence) has been classified by the ANAO as a high risk engagement. For the 2023–24 financial year the ANAO identified 3 key areas of financial statements risk, relating to: accuracy and valuation of Specialist Military Equipment (SME); accuracy, valuation and disclosure of administered employee provisions; and existence and completeness of inventory.

At the completion of the 2023–24 final audit, there were no new significant or moderate audit findings identified. One moderate audit finding in relation to *Weaknesses around the disposal of assets and inventory* was resolved. One significant finding relating to *Removal of system access for Defence personnel and contractors* remains unresolved.

For the 2023–24 financial year the ANAO issued an unmodified auditor’s report on the financial statements on 3 October 2024.

2024–25 Interim update

The engagement risk for Defence’s 2024–25 financial statements audit has remained as high. For the 2024–25 financial year the ANAO identified 3 key areas of financial statements risk, relating to: accuracy and valuation of Specialist Military Equipment (SME); accuracy, valuation and disclosure of administered employee provisions; and change management for the implementation of the new Enterprise Resource Planning system.

¹ The Auditor-General was not able to obtain sufficient evidence to conclude whether the disclosure of the lessons learned in Section 6 of each Project Data Summary Sheet is in accordance with the requirements of the MPR guidelines endorsed by the JCPAA.

² The Auditor-General made an Emphasis of Matter where Defence has disclosed that, following a security review in November 2024, Defence has assessed that some details, both with respect to independent projects and in the aggregate, would or could reasonably be expected to cause damage to the security, defence or international relations of the Commonwealth without sanitation of the data.

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At the 2024–25 interim audit phase, the ANAO has not identified any findings that pose a significant or moderate business or financial risk to Defence. One previously reported audit finding posing a significant business or financial risk was downgraded to a minor audit finding during the ANAO’s 2024–25 interim audit.

At the completion of the interim audit, the ANAO identified that key elements of internal control were operating effectively to provide reasonable assurance that Defence will be able to prepare financial statements that are free from material misstatement. The effective operation of these controls for the full financial year will be assessed by the ANAO in conjunction with additional audit procedures during the 2024–25 final audit and reported in the ANAO’s *Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2025*, expected to table in December 2025.

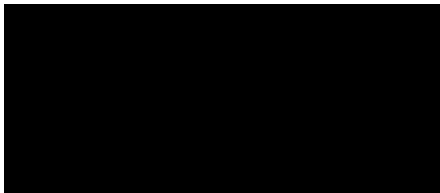
Performance statements audits

The ANAO is auditing the performance statements of Defence for the first time as part of the 2024–25 performance statements audit program. The Auditor-General’s independent audit reports have yet to be provided to the Minister for Finance.

The ANAO aims to provide the outcomes from the 2024–25 performance statements audit program in a report to the Parliament by the end of the year.

Should the Committee require further information in relation to these matters, my office would be pleased to provide you with a briefing at a time convenient to you or appear as a witness at a hearing. To arrange a briefing, please contact our External Relations team at external.relations@anao.gov.au.

Yours sincerely



Dr Caralee McLiesh PSM
Auditor-General