

AAFCANS FY2023-24 Audit Findings (Category B or greater)

Finding #	Finding	Category
1	Fair value assessment of property, plant and equipment	B
2	Supplier rebates	B

Finding 1 :

Context and Background

AAFCANS does not hold large infrastructure assets that are subject to cyclical maintenance or material construction cost fluctuations. Our asset base is deployed in a unique hospitality environment on Defence bases nationwide and consists primarily of mobile food vans, catering equipment and contributions toward venue refurbishments.

As at 30 June 2024, fixed assets (including accumulated depreciation) totalled \$3.6M. External valuations were conducted in 2017 and again in 2022, the latter resulting in an increase of \$153K to the carrying value.

For the past decade, AAFCANS' valuation policy has been to obtain an external valuation every 3–5 years and apply straight-line depreciation between valuation cycles. An annual asset review and summary paper accompanied this approach.

Issue Identified by ANAO

During the 2024 audit, ANAO determined that the annual supporting paper and documentation were insufficient for valuation assurance, resulting in the Category B finding.

AAFCANS explored adopting a historical cost valuation approach (consistent with similar organisations). However, ANAO advised this was not permissible due to AAFCANS' financial statements forming part of the Defence portfolio's consolidated position.

AAFCANS Response

In response to the finding, AAFCANS has:

- Consulted with ANAO to clarify valuation expectations and required methodologies.
- Confirmed that a historical-cost model is not permitted within the Defence context.
- Committed to a full external valuation in FY2026.
- Established a rolling, annual category-based valuation program from FY2026 onwards to ensure continued confidence in asset values and alignment with audit requirements.

The AAFCANS Audit and Risk Committee is satisfied that the steps outlined above form a strengthened, sustainable and Defence aligned valuation framework, and that AAFCANS has responded to this finding with improvements to its controls and documentation.

Finding 2 :

AAFCANS management reporting has always listed supplier rebates as a separate item for internal control. In previous years on the Statement of comprehensive income we had incorrectly reported supplier rebates as 'other' revenue rather than offsetting the amount against supplier purchases. Whilst having no effect on the stated comprehensive income for the year we acknowledge that in relation to AASB102 this should have been deducted from supplier purchases.

This classification error had no impact on reported comprehensive income but required corrective presentation.

AAFCANS Response:

- Corrected the accounting treatment to ensure supplier rebates are netted against supplier purchases.
- Updated financial reporting procedures and internal review steps to ensure ongoing compliance with relevant Australian Accounting Standards.
- Reinforced finance team training and guidance notes to prevent recurrence.

The Audit & Risk Committee considers this matter rectified with the corrective actions in place.

Audit & Risk Committee Governance Oversight and Assurance

The Audit & Risk Committee has actively overseen management's response to both findings and is satisfied that:

- Corrective actions have been implemented promptly and appropriately.
- Improvements are aligned with the Commonwealth Resource Management Framework and ANAO expectations.
- AAFCANS remains committed to transparent reporting, continuous improvement and a strong internal control environment consistent with our accountability obligations.

We trust this submission provides the clarity on our response to the two findings. Please contact us should you require any further information.