

# **ACT Auditor-General's Office**

**Annual Report 2007-08**





## ACT AUDITOR-GENERAL'S OFFICE



The Speaker  
ACT Legislative Assembly  
London Circuit  
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to present to you the Annual Report of the ACT Auditor-General's Office for the year ended 30 June 2008.

This report has been prepared under Section 6(1) of the *Annual Reports (Government Agencies) Act 2004* and in accordance with the requirements referred to in the Chief Minister's Annual Reports Directions. It has been prepared in conformity with other legislation applicable to the preparation of the Annual Report by the Auditor-General's Office.

I hereby certify that the attached Annual Report is an honest and accurate account of the operations of the Auditor-General's Office during the period from 1 July 2007 to 30 June 2008 and that it complies with the Chief Minister's Annual Report Directions.

I also hereby certify that fraud prevention has been managed in accordance with the Public Sector Management Standard 2, Part 2.4.

Section 13 of the *Annual Reports (Government Agencies) Act 2004* requires that you cause a copy of the Report to be laid before the Legislative Assembly within three months of the end of the financial year.

Yours sincerely

Tu Pham  
Auditor-General  
29 September 2008



# CONTENTS

---

## Section A: Performance and financial management reporting

<b>1. The Auditor-General's review .....</b>	<b>1</b>
The organisation.....	3
Mission of the Audit Office .....	3
Values of the Audit Office .....	4
The Audit Office's stakeholders.....	4
Overview .....	5
Highlights.....	7
Outlook.....	8
<b>2. Audit Office's performance.....</b>	<b>11</b>
Analysis of performance .....	11
Financial audit activities.....	16
Performance measures .....	18
Other activities .....	21
Management discussion and analysis.....	22
Financial report .....	28
Independent audit report.....	30
Statement of Performance .....	78
Report of factual findings.....	80
Financial audits completed in 2007-08 .....	89
Financial audit fees .....	92
<b>3. Management of the Audit Office.....</b>	<b>97</b>
Fraud prevention .....	97
Risk management and internal audit .....	97
Internal accountability.....	98
Human resource performance .....	99
Learning and development .....	103
Workplace health and safety .....	104
Workplace relations .....	105
Strategic asset management .....	105
Capital works .....	106
Government contracting.....	107
Community grants/assistance/sponsorship.....	109
Territory records.....	109

## Section B: Consultation and scrutiny reporting

Community engagement .....	113
Internal and external scrutiny .....	113
Legislative Assembly Committee inquiries and reports.....	114
Legislative report .....	115

## Section C: Legislative and policy based reporting

Public interest disclosures .....	119
Freedom of information .....	122
Human Rights Act.....	124
Commissioner for the Environment reporting.....	125
Ecologically sustainable development .....	125

<b>Appendix A Availability of reports .....</b>	<b>127</b>
<b>Appendix B Contact information.....</b>	<b>128</b>
<b>Appendix C Compliance index for the 2007-08 report.....</b>	<b>129</b>



## LIST OF ABBREVIATIONS

---

ACAG	Australasian Council of Auditors-General
APES	Accounting Professional and Ethical Standards
ASAE	Australian Standard on Assurance Engagements
CPA	Certified Practicing Accountant
FoI	Freedom of Information
PAC	Public Accounts Committee
PID	Public Interest Disclosure
QAO	Queensland Audit Office
TAO	Tasmanian Audit Office
VAGO	Victorian Auditor-General's Office



**SECTION A: PERFORMANCE AND  
FINANCIAL MANAGEMENT  
REPORTING**



# **1. THE AUDITOR-GENERAL'S REVIEW**

---

2007-08 was another busy year for the Audit Office and the Office has worked diligently to discharge its statutory functions and to meet the expectations of the Legislative Assembly and the broader community.

The Office completed 68 financial audits, reviewed 27 statements of performance within the required timeframes, completed five major performance audits, and reviewed a number of issues raised by members of the community in their representations to the Office.

Financial audit work performed by the Audit Office provides assurance that financial and performance information of the Territory and its agencies is reliable and fairly presented. Importantly, the financial audit process places the Audit Office in a unique position to make recommendations to senior management of agencies to improve agencies' accountability, governance arrangements and internal control environments.

The Office's performance audits also contribute to improved accountability, efficiency and effectiveness of the ACT public sector. The five performance audit reports completed covered key public administration issues, ranging from project and records management to the delivery of government programs such as aged care.

This year, the departure of senior performance audit staff and the complexity and time consuming nature of some audits meant that the number of audits completed (five) was less than the seven planned. It has been increasingly difficult to provide sufficient audit coverage of all important ACT public services, given the increased costs of audits and the limited resources of a small Office.

I am pleased with the high level of acceptance and appreciation of the Office's work, with audited agencies having accepted most of the recommendations from the financial and performance audits. Most agencies also have indicated that the performance audits helped to improve the effectiveness and efficiency of the audited activity. Particularly encouraging were the increased focus and attention during 2007-08 by the Chief Executives and internal audit committees of key agencies in monitoring the implementation of audit recommendations.

Facing a highly competitive market for skilled accountants and auditors, the Audit Office continued to experience a high staff turnover rate (29.7 percent). With nearly 51 percent of staff having been with the Office for less than two years, the Office has put much effort in providing appropriate training to new staff so that the professional quality of the Office's work is maintained. The challenges the Office faces regarding the retention and attraction of staff are expected to continue in the coming years.

The Audit Office incurred a small operating deficit of \$7 095 in 2007-08, a significant decline from the operating surplus of \$200 745 in 2006-07. This result however was in line with the budgeted deficit, as the Office had anticipated higher employee expenses and

consultant costs. The implication of this year's result is that the Office's finances are tight and that the Office will need to carefully manage its limited financial resources going forward.

The Audit Office's strong relationship with the ACT Legislative Assembly and agencies has assisted the Office to effectively discharge its legislative functions. In particular, I am greatly appreciative of the support provided by the Public Accounts Committee and the positive feedback received from agencies on the work the Office has delivered throughout the year.

I acknowledge and express my thanks for the professionalism and dedication of my staff during the year, who have worked hard to ensure that the Office remains highly valued by its stakeholders and equipped to respond to their needs, especially the Legislative Assembly and the ACT community.

I look forward to building on the Audit Office's sound performance in recent years to deal effectively with significant challenges in the years ahead, including cost pressures on audits, maintaining the audit capacity against the high staff turnover, and complying with changes in auditing standards and legislation.



Tu Pham  
Auditor-General  
29 September 2008

## THE ORGANISATION

The Auditor-General for the ACT is a statutory position created by the ACT Legislative Assembly under the *Auditor-General Act 1996*. The Auditor-General is responsible to the ACT public, through its elected representatives in the Legislative Assembly, for the audit of all ACT public sector agencies.

The *Auditor-General Act 1996* sets out the role and responsibilities of the Auditor-General and the ACT Auditor-General's Office (the Audit Office). Broadly speaking, this role is to:

- promote accountability in the public administration of the Territory; and
- provide assurance to the community, through its elected representatives in the Legislative Assembly, that the ACT public sector is accountable and effectively and efficiently managed.

This role is fulfilled by reporting the results of financial and performance audits to the ACT Legislative Assembly to keep Assembly members informed on the accountability and performance of ACT public sector. The Audit Office also provides advice and recommendations for improving the management of ACT public sector resources.

## MISSION OF THE AUDIT OFFICE

The Audit Office's desired outcomes are directly related to its role and activities. These outcomes are:

- an accountable, effective, and efficient ACT public sector; and
- a highly valued Audit Office.

Within this context, the Audit Office's key objectives are to:

- inform the ACT Legislative Assembly and the community of the performance of the ACT public sector;
- contribute to improving the performance of ACT public sector agencies;
- shape its services to anticipate and respond to the needs of the Legislative Assembly and other stakeholders;
- provide opportunities for staff to further enhance their competencies, knowledge and expertise; and
- maintain the cost efficiency of the Office.

## VALUES OF THE AUDIT OFFICE

The core values that guide the Audit Office's work and behaviours are:

### *Independence*

The views expressed by the Office will be impartial and objective.

### *Integrity*

The Office will exhibit the highest standards of ethical behaviour.

### *Professionalism*

The Office's work will be of a consistently high standard and reflect its commitment to being a highly valued organisation.

### *Respect*

The Office will be honest and respectful in its dealings with its stakeholders.

### *Learning and innovation*

The Office will continually seek better ways of performing its work.

## THE AUDIT OFFICE'S STAKEHOLDERS

The Audit Office serves the ACT community, through its elected representatives in the ACT Legislative Assembly. The Office's key stakeholders also include the ACT Government and its agencies, and its staff.

### *The ACT Legislative Assembly and the ACT community*

The ACT Legislative Assembly and the ACT community rely on the Audit Office to provide impartial assurance on whether public money is being efficiently and effectively spent and whether financial and performance reports for the Territory and its agencies present a credible, true and fair view of their performance.

### ***ACT Public Sector agencies***

ACT public sector agencies use the work of the Audit Office to assist them in improving their operations. The Office's work keeps agencies accountable for their performance and also assists agencies to meet their obligation to provide credible reports on their financial and operational performance.

### ***Audit Office staff***

The Audit Office values its staff and aims to provide staff with job satisfaction, professional development, and rewarding careers.

## **OVERVIEW**

### **Strategic and organisational planning**

In March 2008, the Audit Office held its annual planning day. A key purpose of the planning day is to provide an opportunity for all staff to have input in setting the priorities for the Office for the coming year, and to reach a shared view of future corporate directions and desirable outputs and outcomes. As the Office's previous strategic plan concluded in 2007-08, the objective of this year's planning day was extended to develop the Strategic Plan for 2008-11.

This new Strategic Plan, which will be reviewed annually, addresses the Audit Office's priorities over the next three years and is supported by an action plan. The action plan identifies and assigns responsibility for specific tasks and timeframes for completion. A major focus of the action plan is to target those areas identified as requiring improvement, such as timeliness and output of performance audits and quality reviews of audits. Actions from this Plan are included in a fortnightly activity status report which is considered by the Office's Management Committee.

### **Relevant legislation**

The legislation that has the greatest impact on the Audit Office's operations is the *Auditor-General Act 1996*. Other relevant legislation includes the *Financial Management Act 1996*, *Territory-owned Corporations Act 1990*, *Public Interest Disclosure Act 1994* and *Government Procurement Act 2001*.

### ***Auditor-General Act 1996***

The Audit Office operates principally under the *Auditor-General Act 1996*. This Act requires the Territory to have an Auditor-General and prescribes the functions and powers of the Auditor-General, as well as the administration of the Office.

The Act provides a statutory mandate for the audits of public sector agencies, including financial and performance audits.

The Act supports the independence of the Auditor-General by specifically providing that the Auditor-General and the Audit Office are not subject to direction by the Executive or any Minister in the exercise of the Office's functions. The Office reports directly to the ACT Legislative Assembly on any matter in the connection with the exercise of its functions.

### ***Financial Management Act 1996***

The *Financial Management Act 1996* addresses the financial management and associated accountability requirements of the Territory and its departments and authorities.

This Act requires the Audit Office to audit the financial reports of the Territory and its departments and authorities.

### ***Territory-owned Corporations Act 1990***

The *Territory-owned Corporations Act 1990* addresses the financial management and associated accountability requirements of Territory-owned corporations.

Territory-owned corporations are required to appoint the Auditor-General as their statutory auditor under the *Corporations Act 2001*. Consequently, the Audit Office performs the audit of the financial reports of all Territory-owned corporations under the Corporations Act.

### ***Public Interest Disclosure Act 1994***

The Auditor-General is a proper authority for the receipt of disclosures under the *Public Interest Disclosure Act 1994*.

The Audit Office has specific responsibilities regarding any disclosure received, essentially to investigate the disclosure or to refer it to another proper authority for investigation. The Office also has the authority to act on a disclosure where there is not a proper authority to investigate it, or a proper authority has been unable or failed to adequately act on a disclosure.

### ***Government Procurement Act 2001***

The Auditor-General has a role under the *Government Procurement Act 2001* in relation to certain contracts for procurement entered into by the Territory or

a Territory entity that contain 'confidential text' (termed 'reportable contracts'). If requested by the Auditor-General, a responsible Territory entity for a reportable contract must give the Auditor-General the contracts and information requested. If the Auditor-General requests a copy of a reportable contract under the revised Procurement Act, the Auditor-General must report to the appropriate Legislative Assembly Committee on whether the Auditor-General is satisfied that confidential text in the contract complies with the provisions of Procurement Act.

## HIGHLIGHTS

The Audit Office largely achieved its planned levels of performance in 2007-08.

In particular, the Audit Office:

- completed 68 financial audits and reviewed 27 statements of performance, all of which were completed within the required timeframes;
- completed five performance audits (seven in 2006-07), as well as a report summarising the outcomes of the 2006-07 financial audits;
- received a satisfactory or better performance rating from 98 percent (96 percent in 2006-07) of those surveyed in relation to completed financial audits;
- received a satisfactory or better performance rating from 90 percent (87 percent in 2006-07) of those surveyed in relation to completed performance audits;
- continued to achieve a high rate of acceptance by agencies of financial audit recommendations with 562 (95 percent) of the 593 recommendations made in 2007-08 being accepted. The number of recommendations accepted also increased substantially, reflecting the greater audit attention to governance arrangements and information systems, consistent with new auditing standards.
- received a high rate of acceptance of performance audit recommendations with relevant agencies having agreed or agreed in-principle to all of the 54 recommendations.
- completed two internal audits of the Office's activities, in accordance with the audit program developed by the Office's Internal Audit and Review Committee;
- presented seminars to staff of ACT public sector agencies on financial and performance audit processes and on emerging audit and accounting issues. These seminars were well attended by representatives from agencies;
- regularly attended the internal audit committee meetings of major agencies, as an important means of sharing information and improving the Office's understanding of agencies' emerging issues;
- provided learning and development opportunities for staff, and
- achieved a high level of job satisfaction in the Office – 94 percent of staff indicated in the February 2008 staff survey that overall they were satisfied with

their job (up from 84 percent in 2007), and 97 percent agreed that their supervisors gave them good guidance and support.

The Audit Office also sought to improve its performance through external reviews and internal feedback, in order to identify and address areas which need improvement. In particular:

- the Office conducted its annual staff satisfaction survey in February 2008 that covered issues such as leadership and management, working environment, job satisfaction, communication and corporate governance, to obtain a sound understanding of staff views on the performance of the Office. The Office implemented suggestions for improvement from these surveys as well as any feedback from staff exit interviews.
- the Office implemented reciprocal review arrangements with the Tasmanian Audit Office (TAO) in relation to financial audits. The purpose of these reviews is to improve the quality of the Office's financial audit work by addressing the findings and associated recommendations arising from these reviews.
- the Audit Office sought and received detailed feedback from agencies on all aspects of its performance. The Office followed up concerns raised by some agencies about the understanding by auditors of agencies' operations and the communication processes during the audit process. The Office has taken actions as appropriate to improve audit procedures; and

## OUTLOOK

A major focus for the Office in 2008-09 will be to improve its financial audit work using the financial audit methodology introduced in the previous year. The Audit Office will continue to bring in-house some financial audits currently outsourced to contractors, and will examine ways to improve its technical capacity and quality review process.

The Audit Office expects that there will continue to be a significant number of requests for performance audits and investigations from the community, Legislative Assembly and public sector agencies. As a result, the Office will have to continually reassess the priorities of its performance audits, to provide adequate audit coverage of services provided by the ACT Public Service, while ensuring the completion of performance audits in an efficient and timely manner.

Against the increasing complexity of the auditing and reporting environment, the Audit Office continues to adjust its work procedures to take into account new and revised auditing standards. In 2008-09, significant effort will be on addressing two major standards, ASAE 3500 on performance auditing, and APES 320 on quality control. In conjunction with other Australian audit offices, the Office will introduce new systems, approaches and training to both comply with these standards and to improve overall levels of performance. The Office sought additional funding to address the requirements of APES 320 in the 2008-09 budget. This funding was supported by both the Public Accounts Committee and the Committee on Estimates but was not approved by the

Treasurer. Without additional funding, the Office's capacity to address the requirements of APES 320 and other standards will continue to present a significant challenge in the future.

To address the on-going high staff turnover, effective workforce planning, including succession planning will also be a major focus of the Office in the coming years. The Office will further explore options additional to those put in place in recent years, to maintain the depth of skills and knowledge of key staff, and the capacity of the Office to deliver work to a high professional standard.



## 2. AUDIT OFFICE'S PERFORMANCE

### ANALYSIS OF PERFORMANCE

#### Performance audit activities

The Audit Office's performance audits provide independent assurance to the Assembly and the public on whether government services are delivered efficiently and effectively and Territory funds are properly spent.

The Office's proposed program for performance audits is developed annually against the strategic planning framework and is consistent with the delivery of the Office outputs and outcomes. Nevertheless, there is a high probability that the proposed program will be revised during any reporting year to recognise the need to conduct investigations or reviews that are urgent or otherwise of a high priority, including public interest disclosures, or in response to resource issues. For example, the audit on the 'Management of Calvary Hospital Agreements' was conducted during the year in response to a high priority issue, and had not been previously included in the proposed performance audit program.

**Table 2.1: Performance measures for performance audits**

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2007-08 Target
Number of audit reports presented to the Legislative Assembly	9	8	8	6	8
Average period of completion of audits	10.0 mths	8.2 mths	6.0 mths	8 mths	8 mths
Percentage of audits completed within 9 months	38%	43%	86%	60%	95%
Percentage of audits completed within 12 months	62%	100%	86%	80%	95%
Percentage of Chief Executives satisfied with audit reports	100%	97%	87%	90%	95%

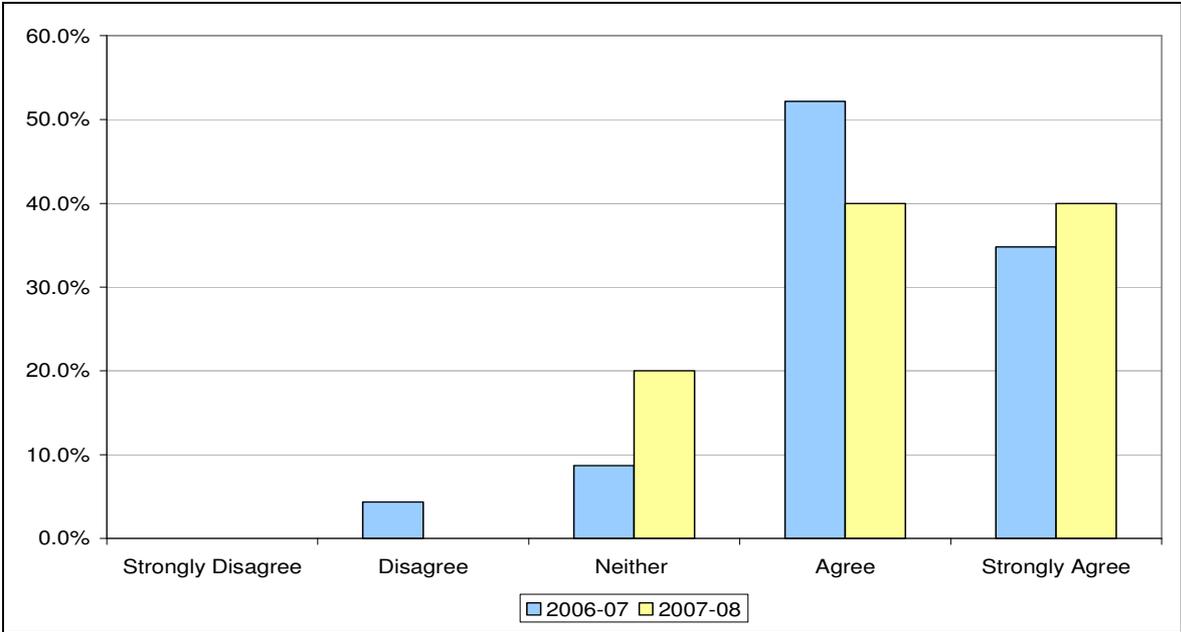
Source: Audit Office's Statements of Performance and Audit Office's internal targets.

The Office maintained the average completion time for performance audits during 2007-08 to within the target of eight months, but further improvement is desirable. The performance audit team has continued to focus on completing performance audits in a timely manner. The time taken to complete a performance audit is influenced by many factors, such as the complexity of the topic, the scope and focus of the audit, the availability of information and resources, as well as the conduct of the audit itself. The Office is continually reviewing its audit practices and processes with a view to streamlining procedures and eliminating inefficient practices.

All reports include recommendations, which, if implemented, are expected to improve the performance of ACT public sector agencies. All recommendations contained in the audit reports were agreed to or agreed in principle by the relevant agencies.

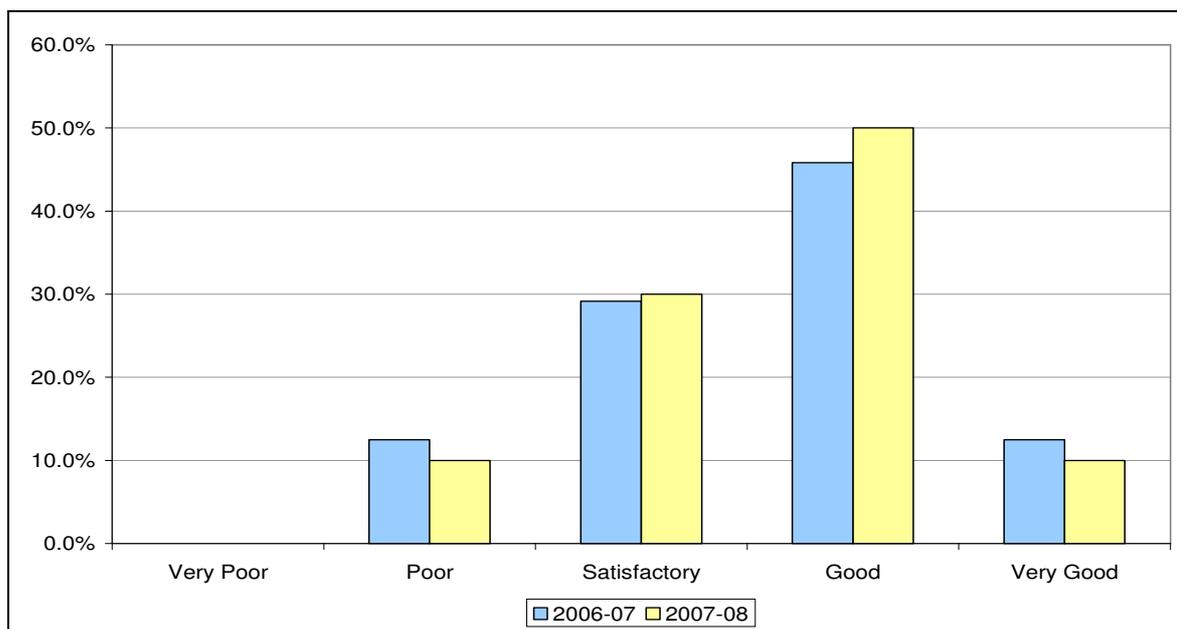
The Office surveys the Chief Executives, Chief Executive Officers or their delegates of audited agencies following the completion of each performance audit. The survey results continue to show the work of the Office is valued by agencies, and conducted professionally. However, the Office received some critical feedback in which the respondents expressed concern about the auditors’ understanding of the agency’s operations, and communication during the audit. Such feedback is carefully considered by the Office and discussed with the agency with a view to improving audit methods and practices.

**Figure 2.1 Chief Executive survey – ‘The audit will help our organisation to improve administration of the audited activity’**



Source: Agency Satisfaction Surveys.

**Figure 2.2 Chief Executive survey – ‘Performance audit - overall performance’**



Source: Audit Office's Statements of Performance and agency satisfaction surveys.

Six audit reports were tabled in the Legislative Assembly (including the summary report on 2006-07 financial audits):

- The FireLink Project;
- The Aged Care Assessment Program and the Home and Community Care Program;
- 2006-07 Financial Audits;
- Chris21 Human Resource Management Systems: Procurement and Implementation;
- Management of Calvary Hospital Agreements; and
- Records Management in ACT Government Agencies.

A brief summary of the matters contained in these reports is provided below. The reports may be obtained from the Office's website at <http://www.audit.act.gov.au/>.

***Report No. 5 of 2007, The FireLink Project (August 2007)***

The FireLink Project commenced in 2004 as one of many Information and Communication Technology projects undertaken by the Emergency Services Authority (the Authority) to support emergency services operations. The Authority ceased to exist as an independent statutory body on 30 June 2006, and emergency services were then integrated into the Department of Justice and Community Safety (JACS) with the formation of the Emergency Services Agency (the Agency).

The audit assessed the efficiency and effectiveness of the former Authority and more recently, the Agency, in managing the FireLink Project, focussing on the procurement

and project management processes.

The audit concluded that there were deficiencies in the scoping, planning, procurement and management of the FireLink Project. As a result, the overall management of the FireLink Project was neither efficient nor effective in the delivery of the intended outcomes to meet the Authority and Agency's operational needs.

The audit made six recommendations to address the issues raised. JACS accepted the shortcomings as outlined in the report, and agreed to all recommendations.

### *Report No.7 of 2007, The Aged Care Assessment Program and the Home and Community Care Program (November 2007)*

This audit aimed to assess the efficiency, effectiveness, and accountability of ACT Health in assessing the needs of aged persons through the ACT Aged Care Assessment Team (ACAT), and delivering the ACT Home and Community Care (HACC) program.

#### Aged Care Assessment

Overall, ACAT had delivered appropriate assessment and referring services to meet the needs of frail older people. However, Audit identified opportunities for ACT Health to improve the efficiency of ACAT's services through the:

- development of policies and guidelines specific to the ACT to provide operational guidance for staff;
- improvement of its assessment procedures and documentation, to increase consistency in the application of assessment tools and improve documentation to support assessment decisions; and
- provision of better information to the community, General Practitioners and residential facilities.

ACT Health could improve the public accountability of ACAT by reporting annually in the Annual Report of ACT Health, against the key performance indicators and providing data that would facilitate comparison of ACT performance to national and State and Territory performance.

#### Home and Community Care

The Audit found that there was scope for ACT Health to improve the delivery of HACC program services to ACT residents through better assessment of unmet need, and monitoring of HACC service providers. In particular, ACT Health should:

- consolidate data on unmet need;
- implement long-term planning;
- develop and implement formal written procedures for the key aspects of the funding acquittal; and
- enhance the service funding agreement regarding the treatment of unspent funds and the disposal of assets.

Improvement in funding acquittal procedures and practices would reduce the current risk to ACT Health of failing to identify, document and address instances where service providers did not deliver the level or quality of services required under the funding agreement.

The audit made 19 recommendations to improve the delivery of services under the

Aged Care Assessment Program and the Health and Community Care program. ACT Health agreed to all the recommendations and has already implemented in whole or in part many recommendations.

***Report No. 8 of 2007, 2006-07 Financial Audits (December 2007)***

This report summarised the results of the Office's audits of financial reports and statements of performance completed during 2006-07. The report included comments on the Territory's capital works program, and financial results and budget performance of reporting agencies.

Consistent with the trend of recent years, almost all of the 77 audit opinions issued on agencies' financial reports were unqualified (only four reports were qualified). Additionally, for the first time in recent years, no audit reports were qualified for non-compliance with Australian Accounting Standards. Of the four qualified reports, two referred to breaches of reporting requirements of the *Financial Management Act 1996*, and two referred to financial information included in financial reports that was unable to be audited.

The audit found scope for significantly improving financial reporting processes in the Territory. The Office rated only 63 percent of financial reports received in 2006-07 as satisfactory or good compared to 75 percent in 2004-05. Additionally, there were significant issues with the timeliness of the provision of financial reports.

***Report No. 1 of 2008, Chris21 Human Resource Management System: Procurement and Implementation (May 2008)***

The audit focussed on the implementation, by the Chief Minister's Department, of the Chris21 Human Resource Management System, and in particular, the importance of quality project management, which is critical to the delivery, within timeframe and budget, of the defined outcomes and intended benefits.

The audit concluded that, against a compressed implementation timeframe, the project delivered pay continuity by the target date of 1 July 2005. However, some aspects of the system did not function as intended, and some core functionalities were not yet operational and other contracted deliverables had not been fully implemented.

In addition to some core functionalities not yet operational, the project has not delivered the intended benefits of a new generation human resources system to support recruitment, workforce planning, learning and development, organisational development, industrial reforms and health and safety initiatives.

The audit made six recommendations to address the issues raised. The Chief Minister's Department agreed, or agreed in part, with all recommendations as outlined in the report.

***Report No. 2 of 2008, Management of Calvary Hospital Agreements (May 2008)***

The Calvary Public Hospital provides health services to the ACT community under a set of agreements (the Agreements) with ACT Health. The Agreements date back to 1971 for the Public Hospital and 1988 for the Private Hospital, and have been varied several times since then. The two hospitals are required to be financially independent of one another, and cross-charging arrangements have been introduced to have the public and private hospitals bear the costs associated with their respective use of staff, facilities and services.

The audit found the existing Calvary Hospital agreements were complex, out-of-date and did not facilitate the efficient and effective management of the contractual relationship between ACT Health and Calvary Health Care (CHC). The parties have been unable to agree on the terms of a single, improved, replacement. Notwithstanding improvements in recent years, ACT Health's policies and practices have not been sufficiently robust to manage effectively the agreements with CHC.

Audit also found that the current systems and procedures used by CHC to reimburse the public hospital for the private hospital use of the public hospital's staff, facilities and services were inadequate and ineffective, and reimbursement payments were not always accurate, complete or timely. There have been several instances where CHC did not comply with the financial arrangement principles specified in the agreements. This could lead to the public hospital cross-subsidising private hospital operations.

There was scope for improvement by ACT Health and CHC with respect to issues such as timeliness of decision-making process, the control environment, and robust policies and administrative procedures. Such improvements would minimise the risk of cross-subsidisation and hence loss of public revenue.

The report included 12 recommendations. ACT Health and Calvary Health Care agreed, or agreed in part, with all recommendations addressed to them.

### ***Report No. 3 of 2008, Records Management in ACT Government Agencies (June 2008)***

This audit examined the extent to which the recordkeeping procedures and practices of selected agencies met the requirements of the relevant legislation, Government policies and accepted recordkeeping standards and principles. The audit covered selected agencies, including the Territory Records Office, the Department of Treasury, the ACT Public Cemeteries Authority, the ACT Planning and Land Authority and the Department of Education and Training, with a focus on schools.

The audit found that all audited agencies had taken action to comply with the legislative requirements of the *Territory Records Act 2002*, but progress towards full compliance varied between agencies. Each of the audited agencies was at a different stage in addressing their recordkeeping responsibilities.

All audited agencies required improvement in the development of their recordkeeping framework, and the implementation of recordkeeping policies and procedures. None of the audited agencies consistently demonstrated better practice in records management. Some fell significantly short of this mark.

The audit made eleven recommendations to address the issues raised. Agencies agreed, or agreed in principle, with all recommendations as outlined in the report.

## **FINANCIAL AUDIT ACTIVITIES**

### **Statutory reporting**

The Audit Office audited the financial reports and, where applicable, the statements of performance for the Territory and its agencies, and provided audit reports on them. These reports provide readers with an impartial opinion on whether the Office considers the information being reported is reliable and fairly presents the reporting agency's performance.

## Technical capacity and quality assurance

In recent years, the complexity of the auditing and reporting environment has significantly increased with many changes to audit, accounting and financial reporting standards.

Changes to reporting requirements are reflected in the growing demand by reporting agencies, particularly smaller agencies, for advice from the Audit Office, in relation to their financial reports.

These changes also significantly increase the amount of time and effort needed to complete each audit. The impact is reflected in the overall cost of completing the financial audit program, which has increased even though the number of financial audits performed by the Office has fallen from 82 in 2006-07 to 68 in 2007-08. Major contributors to the additional costs are the greater attention (and time) given in each audit to governance arrangements, internal controls and information systems, along with the comprehensive documentation requirements required by Australian Auditing Standards.

To date, the Office has relied on its small group of experienced financial audit managers to ensure audit work consistently meets the requirements of the Australian Auditing Standards, and to address the accounting and financial reporting issues in agencies' financial reports. It is, however, apparent that this approach will not be sufficient to meet the changing and increasingly complex audit and reporting environment being faced by the Office in the longer term.

To address this concern, in 2006-07 the Office implemented a new financial audit methodology, developed by the Queensland Audit Office (QAO) and the Victorian Auditor-General's Office (VAGO) and implemented annual quality assurance reviews of its financial audit work.

In the latter half of 2007-08, an experienced senior audit manager was assigned the specific role in technical and quality assurance. This arrangement improves the technical support provided to Audit Managers in meeting the demands of their large and complex audit portfolios by providing researched advice on complex audit and reporting issues, and by monitoring the quality of financial audit work performed by the Office and its audit contractors on an ongoing basis.

The Audit Office is required to meet the recently introduced auditing standard APES 320: 'Quality Control for Audit Firms', which focussed on the adequacy of governance arrangements and audit procedures and practices of audit firms. Importantly, this standard applies to the Office as a whole, and affects both financial and performance audit operations. In addition, for financial audits conducted by the Audit Office under the *Corporations Act 2001*, the requirements of APES 320 have legislative force.

To address the requirements of APES 320, National, State and Territory Audit Offices have instigated an Audit Quality Assurance Project. The Office is benefiting from participating in this project by obtaining information on the common areas of concern and

## Audit Office's performance

---

by using the assessment tool developed by the Audit Offices to systematically assess the extent to which the Office complies with APES 320. A small team from within the Office has been assigned the task of performing this assessment and advising the Executive team on the Office's progress in addressing APES 320's requirements. Following completion of the assessment, the Office will continue to give a high priority to improving its systems and records to demonstrate compliance with APES 320 in 2008-09.

Although APES 320 affects all assurance practices, the level of documentation needed to demonstrate compliance with APES 320, is particularly onerous for smaller practices such as the Audit Office.

### Review of financial audits

In recent years, other State Audit Offices have performed annual quality reviews on a selection of the Office's financial audits. The purpose of these reviews has been to identify opportunities for improving the quality of financial audit work.

Since the first peer review by the Victorian Auditor-General's Office (VAGO) in December 2006, the Office has implemented annual reciprocal review arrangements with the Tasmanian Audit Office (TAO). The TAO recommended that the Office review its audit coverage of related party transactions and its policy for the setting of materiality thresholds in the planning stage. The TAO also recommended the review of audit files before the completion of the audit (known as 'hot' reviews).

The Audit Office is progressively addressing the TAO recommendations – including the provision of training for staff on the issues identified by the TAO.

## PERFORMANCE MEASURES

**Table 2.2: Performance measures for financial audit**

	2004-05 Actual	2005-06 Actual	2006-07 Actual	2007-08 Actual	2007-08 Target
Number of audit opinions issued on financial reports	83	95	82	68	70
Number of reports of factual findings issued on statements of performance	-	-	37	27	27
Percentage of financial audits completed within the required timetable	95%	97%	91%	100%	100%
Percentage of recommendations accepted in financial audits	93%	96%	87%	95%	95%
Percentage of Chief Executives satisfied with financial audits	98%	98%	96%	98%	95%

Source: Audit Office's Statements of Performance and Agency Satisfaction Surveys.

## **Financial audit reports and reports of factual findings on agency statements of performance**

The number of financial audit reports and reports of factual findings that the Office provides each year is determined by legislative or other externally imposed requirement.

In 2007-08, as in previous years, the Office completed audits as required, including the audits of the financial reports for the Territory and its departments, authorities and companies. The completed audits are listed in the Audit Office's Statement of Performance on pages 89 to 91 of this report.

The number of financial audit reports issued by the Audit Office in 2007-08 was consistent with the target. Two of the expected audit opinions were not provided because financial reports for the Lyons Joint Venture were not provided to the Office during the 2007-08 reporting period.

Since 2006-07, the Audit Office was required by the *Financial Management Act 1996* to issue reports of factual findings on statements of performance prepared by departments and authorities. In 2007-08, the Office issued 27 reports of factual findings on statements of performance. The decrease in the number of reports of factual findings reflects the reduction in the number of departments and authorities since 2006-07.

## **Financial audits completed within the required timetable**

All financial audits conducted in 2007-08 were completed by the due date. This outcome was achieved, despite the fact that many agencies did not comply with the required timetable for the provision of their financial reports to the Audit Office and often did not provide financial reports of acceptable standard to the Office.

No timetable could be set for the two Lyons Joint Venture financial reports referred to above.

## **Recommendations accepted in audits**

Although the primary purpose of a financial audit is to provide an audit report that expresses an opinion on the financial report, the Audit Office also assists agencies to improve the quality of their financial reports during the audit process. The Office alerts agencies to errors in their financial reports, provides advice on compliance with accounting standards, and recommends improvements to the disclosures in these reports prior to their publication.

As part of the financial audit process, the Office also brings to the attention of senior management, deficiencies such as internal control weaknesses and poor financial management procedures and practices.

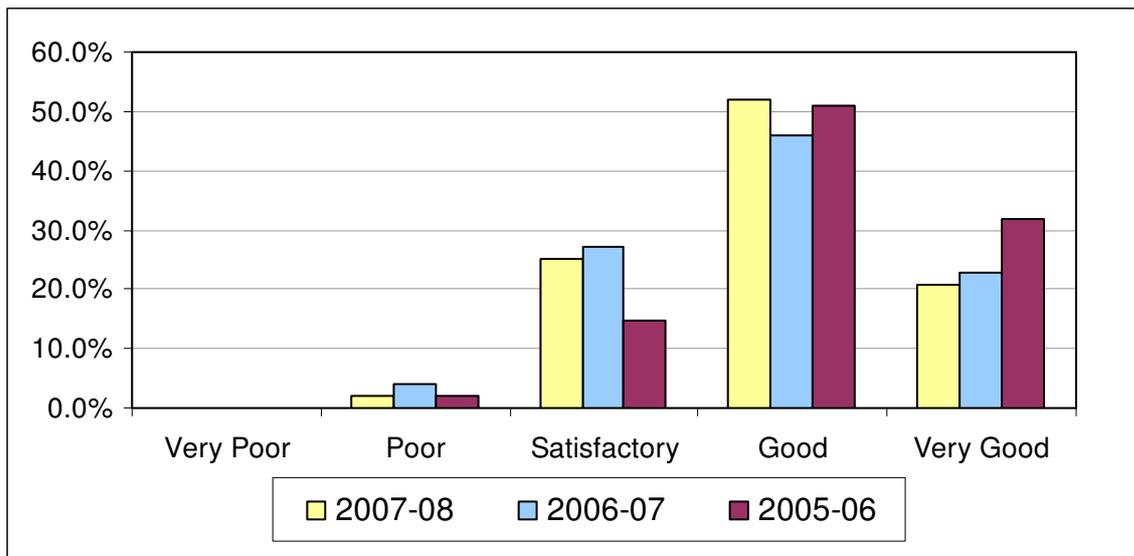
The Audit Office made 562 recommendations in 2007-08 compared to the 363 recommendations made in 2006-07. This large increase reflects the significant amount of additional work being performed as part of the financial audit program. Of these recommendations, 95 percent were accepted by agencies.

The continuing high acceptance rate of audit recommendations by most agencies indicates the Audit Office is making a useful contribution to improving public sector financial management and reporting processes by providing sound advice and practical recommendations to agencies.

### Satisfaction with financial audits

The percentage of Chief Executives, Chief Executive Officers or their delegates satisfied with financial audits (98 percent) was slightly above the target (95 percent) and the prior year result (96 percent). Seventy-three percent rated the Audit Office's performance as good or very good, up slightly from the previous year's result of 68 percent.

**Figure 2.3 Chief Executive survey – 'Financial audit - overall performance'**



Source: Audit Office's Statements of Performance and Agency Satisfaction Surveys.

The Audit Office also sought further information on specific aspects of its performance in its annual satisfaction survey to identify areas for improvement. Where appropriate, the Office responded in writing to the comments provided by agencies and has used this feedback to improve performance and communication with agencies.

## OTHER ACTIVITIES

The Audit Office looks for opportunities to contribute to improving the performance of ACT public sector agencies, through other activities in addition to performance audit and financial audit work.

The Office organised and delivered a number of information seminars during the year. These seminars and briefings are an important means of ensuring agencies are aware of audit procedures and potential financial reporting issues, as well as encouraging agencies to be well prepared for the audit and reporting process. The Audit Office also provided comments and suggestions on relevant Treasury finance memorandums and other guidance material.

Following the tabling of audit reports, the Office briefed the Public Accounts Committee, and if required, other Legislative Assembly members. The Office offers similar briefings to audited agencies.

During the year, the Office's representatives regularly attended meetings of the internal audit committees of major agencies. Through this forum, the Office monitors progress by agencies in implementing audit recommendations and keeps informed of emerging issues affecting the operations of key agencies.

The Audit Office met and briefed a number of overseas delegations on the role and responsibilities of the ACT Auditor-General, and the operations of the Office. These forums provided an opportunity for the exchange of information as well as allowing overseas government audit agencies to compare their operations to those of the Office. Visits from overseas delegations to the Office in 2007-08 include the Aceh Delegation, the National Assembly of Vietnam, the Vietnamese Ministerial Delegation and various Beijing Finance Bureau Delegations.

Through its input to the Australasian Council of Auditors-General (ACAG), the Audit Office contributed to the national review and development of accounting and auditing policy and standards. ACAG also provides the opportunity for the Office to participate in, and share the benefits of, projects on audit methodology, financial reporting, performance audit training, and benchmarking. The Auditor-General also attended meetings and forums of various professional accounting and auditing bodies such as the CPA Australia and the Institute of Chartered Accountants in Australia.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Analysis of financial performance

The Audit Office's financial results for the 2004-05 to 2007-08 financial years are discussed as follows:

**Table 2.3: Financial results**

	<b>2004-05 Actual \$ 000</b>	<b>2005-06 Actual \$ 000</b>	<b>2006-07 Actual \$ 000</b>	<b>2007-08 Actual \$ 000</b>	<b>2007-08 Budget \$ 000</b>
Financial audit fees	2 283	3 049	3 097	3 691	3 144
Appropriation	1 279	1 380	1 946	2 004	2 004
Other	51	52	75	99	40
<b>Income</b>	<b>3 613</b>	<b>4 481</b>	<b>5 118</b>	<b>5 794</b>	<b>5 188</b>
Employee	2 378	2 768	3 020	3 252	3 390
Supplies and services	1 245	1 424	1 835	2 479	1 784
Depreciation	23	52	62	70	35
<b>Expenses</b>	<b>3 646</b>	<b>4 244</b>	<b>4 917</b>	<b>5 801</b>	<b>5 209</b>
<b>Operating (deficit) / surplus</b>	<b>(33)</b>	<b>237</b>	<b>201</b>	<b>(7)</b>	<b>(21)</b>

Source: Audit Office's Audited Financial Reports.

### Income

Most of the Audit Office's income in 2007-08 was obtained from financial audit fees (63.7 percent). The remainder was predominantly from appropriation (34.6 percent).

### *2007-08 Income compared to budget*

Income in 2007-08 exceeded the budgeted amount by \$606 000 or 11.7 percent due largely to higher than expected financial audit fees.

Financial audit fees exceeded the budgeted amount as the Audit Office recovered, from agencies, the cost of using IT specialists and audit contractors to assist in the completion of the financial audit program.

Consistent with the requirements of the Australian Auditing Standards, the Audit Office used IT specialists to review the adequacy of controls over major revenue applications used by agencies, namely the Territory Revenue System and the Homenet, RAPS and rego.act applications. These IT systems record over \$1 billion in taxes, fees, fines and rental revenue in the financial reports of the Territory and its agencies. Further information on these reviews may be found on pages 27 and 28 of Auditor-General's Report No. 8 of 2007 titled '2006-07 Financial Audits'.

The Audit Office also recovered costs charged by audit contractors for additional work performed on behalf of the Office to audit the valuation of ACTEW Corporation Limited's assets, to address weaknesses in the ActewAGL Joint Venture's and the ECOWISE Group's internal control environments, and to address major deficiencies in the ECOWISE Group's accounting records.

### *2007-08 Income compared to the prior year*

All sources of income increased in 2007-08, with most of this increase was due to the higher audit fees explained above.

The increase in the Audit Office's appropriation represents the indexation of the 2006-07 appropriation. Other income also increased as the Office earned more interest from holding higher average balances in bank and investment accounts during 2007-08.

### *Trends in income*

The Audit Office's major sources of income, financial audit fees and appropriation, have grown since 2004-05.

Most of the growth in financial audit fees occurred in 2005-06, where the number of financial audits completed rose from 83 to 95 audits. The rest of the fee increase, which occurred in 2007-08, was to meet the higher costs of engaging external IT specialists and contractors.

The Audit Office has also received additional appropriation funding in 2006-07 which was used to improve the Office's audit and investigative capacity, meet increasing information technology and higher accommodation costs and provide more training for staff.

### **Expenses**

Most of the Audit Office's expenses consists of employee expenses with the remaining costs relating to supplies and services costs. Supplies and services are mainly comprised of audit contractor expenses, accommodation costs, information technology, training and printing costs.

### *2007-08 Expenses compared to budget*

Expenses exceeded budget expectations by \$592 000 or 11.4 percent due to higher than expected supplies and services expenses. The higher supplies and services costs reflected the greater use of private sector contractors and specialists to assist in the completion of the financial and performance audit programs.

As mentioned above, IT specialists were used to review selected major revenue applications used by agencies, and higher contractor costs were also incurred in completing the audits of the financial reports of ACTEW Corporation Limited, the ActewAGL Joint Venture and the ECOWISE Group.

The increased cost of consultants on performance audits reflected the use of contractors for the performance audit on the administration of the *Freedom of Information Act 1982*.

Employee costs were less than the budgeted amount. The Audit Office again experienced a high staff turnover in 2007-08. Due to difficulties in recruiting, the Office replaced departing experienced staff with less experienced and hence, less expensive staff.

### *2007-08 Expenses compared to the prior year*

Expenses increased by \$884 000 (18.0 percent) in 2007-08 due mainly to higher supplies and services costs (explained above) and employee costs.

Employee expenses increased due to higher salary, annual and long service leave and Fringe Benefits Tax expenses. Salary costs, the major contributor to this cost increase, rose because the number of average full-time equivalent staff grew by 2.4 staff (7.9 percent) over 2006-07.

### *Trends in expenses*

Expenses have grown by \$2.2 million since 2004-05, with most of this increase relating to the higher costs of audit contractors and, more recently, the greater use of IT specialists. Financial audit contractors continue to seek higher fees in recent years, reflecting the increase in complexity and difficulty of audits and significant changes to audit and accounting standards.

Employee costs have also risen steadily since 2004-05, with the Audit Office recruiting additional staff to conduct performance audits and maintaining higher average staffing levels. In addition, a buoyant employment market over recent years has significantly increased the cost of attracting and retaining audit and accounting professionals.

## Operating results

### *2007-08 Operating result compared to budget*

The Audit Office's small operating deficit of \$7 000 in 2007-08 is consistent with the cost recovery nature of the Office's operations and is close to the budgeted deficit for 2007-08 of \$21 000.

### *2007-08 Operating result compared to the prior year*

As anticipated in the 2007-08 budget, the operating result declined significantly from the operating surplus generated in 2006-07. The declining operating result mostly reflects higher employee costs and the use of consultants to conduct a performance audit. The costs of using consultants on the performance audit program were not recovered by additional appropriation.

### *Trends in operating results*

This year's operating deficit represents a return to small operating results, as experienced in 2004-05, and is generally consistent with the cost recovery nature of the Office's operations.

## Financial position

Key indicators of the strength of the Audit Office's financial position are its ability to meet its short and long-term liabilities.

**Table 2.4: Short-term financial position**

	<b>Actual 2005 \$ 000</b>	<b>Actual 2006 \$ 000</b>	<b>Actual 2007 \$ 000</b>	<b>Actual 2008 \$ 000</b>	<b>Budget 2008 \$ 000</b>
Short-term assets	1 929	1 926	2 176	2 418	2 045
Short-term liabilities (Note 1)	650	400	433	615	974
<b>Net short-term assets</b>	<b>1 279</b>	<b>1 526</b>	<b>1 743</b>	<b>1 803</b>	<b>1 071</b>
<b>Short-term liquidity ratio</b>	<b>2.97</b>	<b>4.82</b>	<b>5.03</b>	<b>3.93</b>	<b>2.10</b>

Note 1: Short-term liabilities do not equal the current liabilities presented in the Balance Sheet. For the purpose of this analysis, the estimated amount of liabilities payable within 12 months has been used.

Source: Audit Office's Audited Financial Reports.

The liquidity ratio shows that, as at 30 June 2008, the Office had \$3.93 in current assets available to meet each dollar of liability expected to be payable within 12 months. Although the Audit Office retains a strong short-term financial position, this position has weakened over the 2007-08 financial year.

**Table 2.5: Long-term financial position**

	<b>Actual 2005 \$ 000</b>	<b>Actual 2006 \$ 000</b>	<b>Actual 2007 \$ 000</b>	<b>Actual 2008 \$ 000</b>	<b>Budget 2008 \$ 000</b>
Current assets	1 929	1 926	2 176	2 418	2 045
Total liabilities	1 209	984	1 038	1 258	1 063
<b>Net long-term assets</b>	<b>720</b>	<b>942</b>	<b>1 138</b>	<b>1 160</b>	<b>982</b>
<b>Ratio of current assets to total liabilities</b>	<b>1.60</b>	<b>1.96</b>	<b>2.10</b>	<b>1.92</b>	<b>1.92</b>

Source: Audit Office's Audited Financial Reports.

The Audit Office's non-current assets consist of plant and equipment. These assets are not available to meet the Office's liabilities. Consequently, the long-term position of the Office can best be assessed by comparing the current assets to its total liabilities.

The ratio of current assets to total liabilities shows that the Office has \$1.92 in current assets available to meet each dollar of total liabilities.



**FINANCIAL REPORT**

**ACT AUDITOR-GENERAL'S OFFICE**

**FINANCIAL REPORT  
YEAR ENDED 30 JUNE 2008**

**STATEMENT OF RESPONSIBILITY**

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2008, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Cash Flow Statement; and

Statement of Appropriation;

fairly reflects the financial operations of the Office for the year ended 30 June 2008 and the financial position of the Office on that date.



Tu Pham  
Auditor-General

24 July 2008

**ACT AUDITOR-GENERAL'S OFFICE**

**FINANCIAL REPORT  
YEAR ENDED 30 JUNE 2008**

**STATEMENT BY THE CHIEF FINANCE OFFICER**

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2008, consisting of the:

- Operating Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Statement of Appropriation

has been prepared in accordance with generally accepted accounting principles, is in agreement with the Office's accounts and records, and fairly reflects the financial operations of the Office for the year ended 30 June 2008 and the financial position of the Office on that date.



Bernie Sheville  
Chief Finance Officer  
ACT Auditor-General's Office

24 July 2008

## INDEPENDENT AUDIT REPORT

### Di Bartolo Diamond & Mihailaros

An Australian Capital Territory Partnership



Chartered Accountants  
& Business Advisers

### INDEPENDENT AUDIT REPORT ACT AUDITOR GENERAL'S OFFICE

**To: The Members of the Legislative Assembly for the Australian Capital Territory**

#### **Report on the Financial Report**

We have audited the accompanying financial report of the ACT Auditor-General's Office for the year ended 30 June 2008 comprising the Statement of Responsibility by the ACT Auditor-General, Operating Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, Statement of Appropriation and the accompanying notes.

#### ***ACT Auditor-General's Responsibilities for the Annual Financial Report***

The ACT Auditor-General is responsible for the preparation and true and fair presentation of the financial report in accordance with the Financial Management Act 1996. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### ***Audit Approach***

Our responsibility is to express an opinion on the financial report based on our audit under the Financial Management Act 1996. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Tel: 02 6257 7500 | Fax: 02 6257 7599 | [www.pkf.com.au](http://www.pkf.com.au)  
Level 7, 28 University Ave | Canberra City | ACT 2601  
GPO Box 588 | Canberra City | ACT 2601

PARTNERS:  
Ross Di Bartolo B.A (Accounting), FCA  
George Diamond B.Ec. FCA  
John Mihailaros B.Comm (Accounting), CA

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF. PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms. Liability limited by a scheme approved under Professional Standards Legislation.

**Independence**

In conducting our audit, we followed applicable independence requirements of the Australian professional ethical pronouncements.

**Audit Opinion**

In our opinion, the financial report of the ACT Auditor-General's Office:

- Gives a true and fair view of the financial position of the ACT Auditor-General's Office as at 30 June 2008 and of its performance for the financial year ended on that date; and;
- Is presented in accordance with the Financial Management Act 1996, Accounting Standards and other mandatory professional reporting requirements.

PKF - Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Canberra

Dated: 24.7.2008.

**ACT AUDITOR-GENERAL'S OFFICE**

**OPERATING STATEMENT  
YEAR ENDED 30 JUNE 2008**

	Note	Actual 2007-08 \$	Budget 2007-08 \$	Actual 2006-07 \$
<b>INCOME</b>				
Financial audit fees	5	3 690 540	3 144 155	3 097 004
Appropriation	(a)	2 004 000	2 004 000	1 946 000
Other	6	99 596	40 000	75 224
<b>Total income</b>		<b>5 794 136</b>	<b>5 188 155</b>	<b>5 118 228</b>
<b>EXPENSES</b>				
Employee	7	3 252 384	3 390 000	3 020 039
Supplies and services	8	2 479 115	1 784 416	1 834 916
Depreciation	9	69 732	35 000	62 528
<b>Total expenses</b>		<b>5 801 231</b>	<b>5 209 416</b>	<b>4 917 483</b>
<b>Operating (deficit) / surplus</b>		<b>(7 095)</b>	<b>(21 261)</b>	<b>200 745</b>

(a) Further information on appropriation income is provided in the Statement of Appropriation.

The Audit Office incurred a small operating deficit of \$7 095 in 2007-08. This result is consistent with the cost recovery nature of the Office's operations and is reasonably close to the budgeted deficit for 2007-08 of \$21 261.

As anticipated in the budget, the 2007-08 operating result declined significantly from the operating surplus of \$200 745 generated in 2006-07. The declining operating result mostly reflects higher employee costs (See Note 7: 'Employee' for further details) and the use of consultants to assist in the completion of the performance audit program (See Note 8: 'Supplies and Services' for further details). The costs of using consultants on the performance audit program were not recovered by additional appropriation.

Financial audit fees exceeded the budgeted amount by \$546 385 or 17.4 percent and prior year amounts by \$593 536 or 19.2 percent as the Audit Office recovered the higher costs of using IT specialists and audit contractors to complete the financial audit program. (See Note 5: 'Financial audit fees' and Note 8: 'Supplies and Services' for further details).

This Operating Statement should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2007-08 Budget Paper No. 4.

## ACT AUDITOR-GENERAL'S OFFICE

BALANCE SHEET  
AS AT 30 JUNE 2008

	Note	Actual 2008 \$	Budget 2008 \$	Actual 2007 \$
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	10	1 011 799	891 000	788 896
Receivables	11	1 402 860	1 148 000	1 381 984
Other assets	12	3 988	6 000	5 056
<b>Total current assets</b>		<b>2 418 647</b>	<b>2 045 000</b>	<b>2 175 936</b>
<b>NON-CURRENT ASSETS</b>				
Plant and equipment	13	550 600	474 000	566 338
<b>Total non-current assets</b>		<b>550 600</b>	<b>474 000</b>	<b>566 338</b>
<b>Total assets</b>		<b>2 969 247</b>	<b>2 519 000</b>	<b>2 742 274</b>
<b>CURRENT LIABILITIES</b>				
Payables	14	207 529	115 000	84 056
Finance leases	15	44 688	-	13 682
Employee benefits	16	893 760	843 000	806 748
Other liabilities	17	15 625	16 000	15 625
<b>Total current liabilities</b>		<b>1 161 602</b>	<b>974 000</b>	<b>920 111</b>
<b>NON-CURRENT LIABILITIES</b>				
Finance leases	15	18 763	-	38 428
Employee benefits	16	56 672	69 000	42 656
Other liabilities	17	20 833	20 000	36 458
<b>Total non-current liabilities</b>		<b>96 268</b>	<b>89 000</b>	<b>117 542</b>
<b>Total liabilities</b>		<b>1 257 870</b>	<b>1 063 000</b>	<b>1 037 653</b>
<b>NET ASSETS</b>		<b>1 711 377</b>	<b>1 456 000</b>	<b>1 704 621</b>
<b>EQUITY</b>				
Accumulated funds	18	1 684 375	1 456 000	1 704 621
Asset revaluation reserve	19	27 002	-	-
<b>Total Equity</b>		<b>1 711 377</b>	<b>1 456 000</b>	<b>1 704 621</b>

This Balance Sheet should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2007-08 Budget Paper No. 4.

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF CHANGES IN EQUITY  
YEAR ENDED 30 JUNE 2008**

	Note	Actual 2007-08 \$	Budget 2007-08 \$	Actual 2006-07 \$
<b>Equity at the beginning of the reporting period</b>		<b>1 704 621</b>	<b>1 477 261</b>	<b>1 503 876</b>
<i>Accumulated funds</i>				
<b>Operating (deficit) / surplus</b>	18	<b>(7 095)</b>	<b>(21 261)</b>	<b>200 745</b>
<i>Asset revaluation reserve</i>				
Increase in the asset revaluation reserve	19	27 002	-	-
<b>Total income / (expense) recognised directly in equity</b>		<b>1 724 528</b>	<b>(21 261)</b>	<b>200 745</b>
<i>Transactions involving equity holders affecting accumulated funds</i>				
Refund of unused capital injection for the Office fit-out	18	<b>(13 151)</b>	-	-
<b>Equity at the end of the reporting period</b>		<b>1 711 377</b>	<b>1 456 000</b>	<b>1 704 621</b>

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2007-08 Budget Paper No. 4.

## ACT AUDITOR-GENERAL'S OFFICE

CASH FLOW STATEMENT  
YEAR ENDED 30 JUNE 2008

	Note	Actual 2007-08 \$	Budget 2007-08 \$	Actual 2006-07 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Financial audit fees		3 671 672	3 144 000	2 892 877
Appropriation		2 004 000	2 004 000	1 946 000
Interest		90 439	40 000	68 985
Goods and Services Tax collected from auditees		367 218	216 000	289 290
Goods and Services Tax refunded from the Australian Taxation Office		80 585	-	32 062
Other		499	-	36
<b>Total receipts from operating activities</b>		<b>6 214 413</b>	<b>5 404 000</b>	<b>5 229 250</b>
<b>PAYMENTS</b>				
Employee		3 147 248	3 334 000	2 967 296
Supplies and services		2 359 013	1 800 000	1 870 119
Goods and Services Tax paid on goods and services		240 448	216 000	191 978
Goods and Services Tax remitted to the Australian Taxation Office		209 843	-	167 180
<b>Total payments from operating activities</b>		<b>5 956 552</b>	<b>5 350 000</b>	<b>5 196 573</b>
<b>Net cash inflows from operating activities</b>	(a)	<b>257 861</b>	<b>54 000</b>	<b>32 677</b>

Net cash flows from operations exceeded budget expectations and 2006-07 levels because the increase in financial audit fees exceeded the increase in payments made in respect of employees and for supplies and services. The rise in cash reflects the higher levels, at the end of the reporting period, of unpaid amounts to obtain supplies and services, in particular audit contractors and IT consultants (See Note 14: 'Payables'), and unpaid employee benefits (Note 16: Employee Benefits).

Further information on the movements in these accounts is provided in the explanatory information included in Note 5: 'Financial Audit Fees', Note 7: 'Employee' and Note 8: 'Supplies and Services'.

This Cash Flow Statement should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2007-08 Budget Paper No. 4.

**ACT AUDITOR-GENERAL'S OFFICE**

**CASH FLOW STATEMENT (CONTINUED)  
YEAR ENDED 30 JUNE 2008**

	Note	Actual 2007-08 \$	Budget 2007-08 \$	Actual 2006-07 \$
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>PAYMENTS</b>				
Payments for plant and equipment		580	-	5 746
<b>Cash (outflows) from investing activities</b>		<b>(580)</b>	<b>-</b>	<b>(5 746)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>PAYMENTS</b>				
Payment of finance leases		21 227	-	12 213
Refund of unused capital injection for the Office fit-out		13 151	-	-
<b>Cash (outflows) from financing activities</b>		<b>(34 378)</b>	<b>-</b>	<b>(12 213)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>222 903</b>	<b>54 000</b>	<b>14 718</b>
Cash and cash equivalents at the beginning of the reporting period		788 896	837 000	774 178
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(b)</b>	<b>1 011 799</b>	<b>891 000</b>	<b>788 896</b>

The increase in payments of finance leases resulted from the transfer of a motor vehicle, provided as part of the remuneration of senior executives, from an operating lease to a finance lease arrangement.

Non-cash financing activities are presented in note (c) on the following page.

This Cash Flow Statement should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2007-08 Budget Paper No. 4.

**ACT AUDITOR-GENERAL'S OFFICE**

**NOTES TO THE CASH FLOW STATEMENT  
YEAR ENDED 30 JUNE 2008**

**Note (a): Reconciliation of the Operating (Deficit) / Surplus to the Net Cash Inflows from Operating Activities**

	<b>Actual 2007-08 \$</b>	<b>Actual 2006-07 \$</b>
<b>Operating (deficit) / surplus</b>	<b>(7 095)</b>	<b>200 745</b>
Depreciation	69 732	62 528
Borrowing costs on finance leases – motor vehicles	4 108	2 700
Write off of computer equipment	2 049	-
<b>Changes in assets and liabilities</b>		
(Increase) in receivables	(20 877)	(236 261)
Decrease other current assets	1 068	1 223
Increase / (decrease) in payables	123 473	(30 345)
Increase in employee benefits	101 028	47 712
(Decrease) in other liabilities	(15 625)	(15 625)
<b>Net cash inflows from operating activities</b>	<b>257 861</b>	<b>32 677</b>

**Note (b): Reconciliation of Cash and Cash Equivalents in the Cash Flow Statement to the Related Items in the Balance Sheet**

	<b>Actual 2008 \$</b>	<b>Actual 2007 \$</b>
Cash at bank and on hand	311 799	88 896
Investments with the Territory Banking Account	700 000	700 000
<b>Cash and Cash Equivalents in the Cash Flow Statement and the Balance Sheet</b>	<b>1 011 799</b>	<b>788 896</b>

**Note (c): Non-Cash Financing Activities**

	<b>Actual 2007-08 \$</b>	<b>Actual 2006-07 \$</b>
Acquisition of motor vehicles by means of finance leases	<b>28 461</b>	<b>61 623</b>

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF APPROPRIATION  
YEAR ENDED 30 JUNE 2008**

	<b>2007-08 Original Budget \$</b>	<b>2007-08 Total Appropriated \$</b>	<b>2007-08 Appropriation Drawn \$</b>	<b>2006-07 Appropriation Drawn \$</b>
Appropriation	2 004 000	2 004 000	2 004 000	1 946 000
<b>Total appropriation</b>	<b>2 004 000</b>	<b>2 004 000</b>	<b>2 004 000</b>	<b>1 946 000</b>

This Statement of Appropriation should be read in conjunction with the accompanying notes.

The Statement of Appropriation shows that the Audit Office received the budgeted level of appropriation in 2007-08.

The increase of \$58 000 (3.0 percent) in the Audit Office's appropriation represents the indexation of the 2006-07 appropriation.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**1. Objectives**

The objectives of the ACT Auditor-General's Office (the Audit Office) are to inform the ACT Legislative Assembly and the community of the performance of the ACT public sector, promote accountability and to contribute to the improvement in ACT public sector administration.

**2. Significant Accounting Policies**

The significant accounting policies adopted in the preparation of this financial report are set out below. These policies have been consistently applied to all of the reporting periods presented in this financial report unless otherwise stated.

**(a) Basis of Preparation**

**(i) Application of Generally Accepted Accounting Principles**

This general-purpose financial report has been prepared in accordance with 'Generally Accepted Accounting Principles' as required by the *Financial Management Act 1996*.

'Generally Accepted Accounting Principles' are Australian Equivalents to International Financial Reporting Standards, comprising accounting standards and accounting interpretations issued by the Australian Accounting Standards Board and the former Urgent Issues Group.

The Audit Office is an individual reporting entity.

**(ii) Accrual Accounting**

This financial report has been prepared using the accrual basis of accounting. This basis of accounting recognises the effects of transactions and events when they occur.

**(iii) Historical Cost Convention**

This financial report has been prepared in accordance with the historical cost convention except for assets which have been valued under the valuation policies applicable to the Audit Office during the reporting period.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(iv) Significant Accounting Estimates**

The preparation of this financial report required the use of certain significant accounting estimates and the exercise of judgement in applying the Audit Office's significant accounting policies.

The areas involving a higher degree of judgement and complexity, or where assumptions and estimates are significant to the financial report, are disclosed in Note 4: 'Significant Accounting Estimates and Judgements'.

**(v) The Reporting Period**

This financial report presents the Audit Office's financial performance, changes in equity and cash flows for the year ended 30 June 2008 and its financial position as at 30 June 2008.

**(b) Comparatives**

**(i) Budget Information**

The *Financial Management Act 1996* requires this financial report to facilitate a comparison with the Budget Papers. Budget figures contained in 2007-08 Budget Paper No. 4 have therefore been presented in this financial report to enable a comparison to the Budget Papers to be easily made.

**(ii) Prior Year Comparatives**

Comparative information in respect of the previous financial year has been presented in this financial report. Where the classification of items in the financial report has been amended, the comparative amounts have also been reclassified where practical.

**(c) Revenue Recognition**

Revenue is recognised at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Audit Office and the recognition criteria described below for the Audit Office's sources of revenue have been met.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(i) Appropriation**

The Audit Office's performance audit and other activities are generally funded by an appropriation. The presiding member of the Standing Committee on Public Accounts advises the Treasurer of the appropriation that should be made for the operations of the Auditor-General for the year.

This Appropriation is recognised as revenue in the Operating Statement on receipt.

**(c) Revenue Recognition (Continued)**

**(ii) Financial Audit Fees**

The Audit Office charges fees for auditing financial reports. Revenue from financial audits is recognised in the Operating Statement by reference to the stage of completion of each audit at the end of the reporting period and the budgeted fee for each audit. For audits performed in-house, the stage of completion for each financial audit is estimated by reference to the staff hours incurred to date as a percentage of total budgeted staff hours for each audit. For audits where contractors are used, revenue is recognised for the amounts recovered or recoverable from auditees for amounts incurred by the Office on audit contractors, IT consultants, tax specialists, actuaries or other specialists engaged to assist the completion of the financial audits.

**(iii) Interest**

Interest income is recognised using the effective interest rate method.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents are stated at their nominal amount. For Cash Flow Statement presentation purposes, cash and cash equivalents includes petty cash, cash held in the bank account, highly liquid investments that are readily convertible to cash and are subject to insignificant risk of changes in value and any bank overdrafts. Any bank overdrafts are presented as a borrowing in the Balance Sheet.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(e) Receivables**

Receivables represent billed and unbilled amounts owing to the Audit Office in relation to financial audits and interest accrued on investments up until the end of the reporting period.

Receivables are initially measured at fair value and subsequently measured at amortised cost with any adjustments to the carrying amount being recorded in the Operating Statement. Receivables are stated at amounts that are after any allowance for impairment.

Accrued financial audit income represents amounts earned but not yet billed on financial audits and is recognised according to the estimated stage of completion of each financial audit. For audits performed in-house, each financial audit's stage of completion is estimated by reference to the audit hours incurred at the end of the reporting period as a percentage of total budgeted hours to complete each audit. For audits where contractors are used, accrued income includes amounts recoverable from auditees, at the end of the reporting period, for amounts incurred by the Audit Office on audit contractors, IT consultants, tax specialists, actuaries or other specialists engaged to assist the completion of the financial audits.

Any allowance for impairment losses represents the amount of receivables that the Audit Office estimates will not be repaid.

The allowance for impairment losses is based on a review of overdue balances and objective evidence of impairment. Objective evidence of impairment includes debts being more than 60 days overdue, a failure to make expected payments, disputed amounts and financial difficulties of the debtor. Any receivables that have been renegotiated because they are past due or impaired are accounted for, based on the renegotiated terms.

The amount of any allowance for impairment is the difference between the carrying amount of the amount owing from each debtor and the estimated future cash flows. As all receivables are short-term, the estimated future cash flows relating to receivables are not discounted because the effect of discounting is immaterial.

The amount of any provision for impairment of receivables is recorded as an expense in the Operating Statement.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(f) Plant and Equipment**

**(i) Acquisition and Recognition of Plant and Equipment**

Plant and equipment is initially recorded at cost. Cost includes the purchase price, the directly attributable costs of acquisition and the estimated cost of dismantling and removing the asset when, upon acquisition, there is an obligation to remove the asset. Plant and equipment acquired at minimal or no cost is recognised at fair value.

Plant and equipment is capitalised as an asset in the Balance Sheet when the value exceeds the asset capitalisation threshold of \$2 000. Amounts under this threshold are expensed in the Operating Statement. Plant and equipment with an acquisition cost of less than \$2 000 is, however, capitalised where the acquisition forms part of the Office fit-out that was funded by capital injection.

**(ii) Measurement of Plant and Equipment after Initial Recognition**

Plant and equipment consists of the Office fit-out, computer equipment, and motor vehicles under finance leases. These assets are measured at fair value.

Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction. Fair value is measured using market prices when a market price is available for that asset or a similar asset, as this is the best evidence of an asset's fair value.

Where a market price cannot be obtained for an asset, and the economic benefits embodied in the asset would be replaced if the Audit Office were to be deprived of them, fair value is measured using the estimated depreciated replacement cost for that asset. Where the asset would not be replaced if the Audit Office were to be deprived of its economic benefits, fair value is measured at the asset's selling price less costs to sell.

Plant and equipment is revalued every three years. However, if at any time, the Audit Office considers that the carrying amount of an asset materially differs from its fair value, then the asset will be revalued regardless of when the revaluation last took place.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(iii) Depreciation**

The Audit Office's plant and equipment assets have limited useful lives and are therefore systematically depreciated down to their estimated residual values, on a straight-line basis over their estimated useful lives, using rates that are reviewed annually.

The useful lives of these assets commences when they are ready for use. When plant and equipment assets are revalued they are depreciated over their remaining useful lives.

Motor vehicles under finance leases are depreciated over their useful lives or the unexpired period of the leases, which ever is the shorter period.

Depreciation of plant and equipment is estimated as follows:

<b>Class of Asset</b>	<b>Estimated Useful Life</b>
Office fit-out	12 years
Computer equipment	5 years
Motor vehicles under finance leases	2 years

**(g) Impairment**

At each reporting date, the Audit Office assesses whether there are any indications that an asset may be impaired. Each asset is also assessed for impairment whenever events or circumstances indicate that its carrying amount may not be recoverable.

If this assessment indicates that an asset is impaired, then the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount of an asset is the higher of its 'fair value less the cost to sell' and its 'value in use'. An asset's 'value in use' is its depreciated replacement cost where the Audit Office would, if deprived of the asset, replace its remaining future economic benefits.

Impairment losses are the amount by which an asset's carrying amount exceeds its recoverable amount. Any impairment loss is recognised against any available Asset Revaluation Reserve. Where there is no available Asset Revaluation Reserve, any impairment loss is recognised as an expense in the Operating Statement.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(h) Payables**

Payables represent liabilities for goods and services provided to the Audit Office prior to the end of the reporting period which are unpaid. Payables are initially recognised at the fair value of the consideration to be provided by the Audit Office for these goods and services.

Payables are unsecured and are usually paid within 28 days of recognition.

**(i) Employee Benefits**

**(i) Salaries, Annual Leave and Sick Leave**

Liabilities for salaries, including non-monetary benefits, annual leave, and accumulating sick leave, are recognised in respect of services provided by employees up to the reporting date and are measured at the estimated amounts expected to be paid when the liabilities are settled.

These liabilities are classified as current in the Balance Sheet when a legal obligation to pay salaries, including non-monetary benefits, annual leave, and accumulating sick leave to an employee exists at the reporting date. All such liabilities have therefore been classified as current.

No provision has been made for sick leave, as the average sick leave taken by employees is less than the annual entitlement for sick leave.

**(ii) Long Service Leave**

A liability for long service leave is recognised for services provided up to the reporting date and is measured at the amounts expected to be paid when the liability is settled. The liability for 'current' and 'non-current' long service leave expected to be settled in more than 12 months from the reporting date is measured using an approximation method that estimates the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to future wage and salary levels, the historical experience of employee departures and periods of service.

This liability is classified as 'current' in the Balance Sheet when a legal obligation to pay long service leave to an employee exists at the reporting date, irrespective of when the liability is expected to be settled.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(i) Employee Benefits (Continued)**

**(iii) Superannuation**

**Defined Benefit Superannuation Schemes**

Each year, the Audit Office makes a superannuation payment to the Territory Banking Account, to cover the Audit Office's liability for the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. This payment covers the required employer contribution to the Commonwealth Superannuation Scheme and Public Sector Superannuation Scheme. A 3 percent productivity component is paid directly to Comsuper.

The Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme are defined benefit schemes meaning that the defined benefits received by employees are based on an employee's years of service and final average salary.

No liability for superannuation for employees in these defined benefit schemes is recognised in the Balance Sheet as the Superannuation Provision Account recognises this liability for all agencies in the Territory.

**Accumulated Benefit Superannuation Schemes**

Superannuation payments have also been made directly to superannuation funds for those employees who are members of accumulated benefit superannuation schemes. This includes the Public Sector Superannuation Scheme Accumulation Plan and the external accumulation schemes chosen by employees.

No liability is recognised in the Balance Sheet in relation to the Public Sector Superannuation Scheme Accumulation Plan or any other accumulation schemes as the Audit Office's liability is extinguished when superannuation payments are made to the plan.

**(j) Leases**

The Audit Office has entered into finance leases and operating leases. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**2. Significant Accounting Policies (Continued)**

**(j) Leases (Continued)**

**(i) Finance Leases**

Leases of plant and equipment, where the risks and benefits of ownership are substantially transferred to the Audit Office, are classified as finance leases.

Finance leases are capitalised, at the lease's inception, at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the lease liability and the borrowing cost.

Borrowing costs are expensed in the Operating Statement as they are incurred.

Lease liabilities are classified as a current liability in the Balance Sheet unless the Audit Office has an unconditional right to defer the settlement of the liability for at least 12 months after the end of the reporting period.

**(ii) Operating Leases**

Operating leases are leases where the lessor effectively retains substantially the risks and benefits of ownership of the leased assets.

The minimum lease payments of operating leases are recognised as an expense on a straight-line basis.

The Audit Office's accommodation lease incentive liability is a non-cancellable operating lease and is being reduced on a straight-line basis over the lease term of six years.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**3. Change to Significant Accounting Policies**

**Fair Valuation of Plant and Equipment**

The ACT Government is required to report property, plant and equipment and intangible assets at fair value in its whole-of-government and general government sector financial reports.

As the Audit Office's financial results are included in these financial reports, the Office has changed its accounting policy for plant and equipment to align its accounting policy with that used by the ACT Government.

The Audit Office's plant and equipment assets were previously measured at cost. As a result of this change in accounting policy, the assets were revalued. The financial effects of this change in accounting policy are presented below and in Note 13: 'Plant and Equipment' and Note 19: 'Asset Revaluation Reserve'.

<b>Extract from the Balance Sheet</b>	<b>Note</b>	<b>Actual 2008</b>	<b>Effects of Change in Accounting Policy</b>	<b>Restated Actual 2008</b>
		\$	\$	\$
<b>NON-CURRENT ASSETS</b>				
Plant and equipment	13	523 598	27 002	550 600
<b>Total non-current assets</b>		<b>523 598</b>	<b>27 002</b>	<b>550 600</b>
<b>Total assets</b>		<b>2 942 245</b>	<b>27 002</b>	<b>2 969 247</b>
<b>NET ASSETS</b>				
		<b>1 684 375</b>	<b>27 002</b>	<b>1 711 377</b>
Asset revaluation reserve	19	-	27 002	<b>27 002</b>
<b>Total Equity</b>		<b>1 684 375</b>	<b>27 002</b>	<b>1 711 377</b>

As it is not practicable to retrospectively determine what the fair value of these assets would have been at the end of the previous reporting period, comparative figures for 2007 have not been restated for this policy change.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**4. Significant Accounting Estimates and Judgements**

The Audit Office has made significant estimates and assumptions about the future in preparing this financial report.

The resulting accounting estimates will therefore seldom equal the related actual results. These estimates and assumptions have been based on the most current information available.

**(i) Receivables – Accrued Financial Audit Income**

Note 2(e): 'Receivables' discloses that accrued financial audit income is recognised according to the estimated stage of completion of each financial audit. The estimation of each financial audit's stage of completion requires an estimate of total hours that will eventually be required to complete each audit.

**(ii) Receivables – Impairment**

Note 2(e): 'Receivables' discloses that where there is objective evidence that a receivable may not be collected, an assessment of the likelihood of the recovery of a receivable is required to determine whether an impairment loss must be recognised.

**(iii) Plant and Equipment – Fair Value**

Note 2(f)(ii): 'Measurement of Plant and Equipment after Initial Recognition' discloses that plant and equipment is measured at fair value.

The fair values of the Office fit-out and motor vehicles under finance leases have been estimated by an independent valuer. The fair value of computer equipment has been estimated based on the Audit Office's assessment of the market price for these assets.

See Note 13: 'Plant and Equipment' for further information.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**4. Significant Accounting Estimates and Judgements (Continued)**

**(iv) Plant and Equipment - Depreciation**

Note 2(f)(iii): 'Depreciation' discloses that plant and equipment is systematically depreciated over its estimated useful life. The estimated useful life of plant and equipment is reassessed each year and adjusted when the condition and other factors affecting the useful life of plant and equipment indicate an adjustment is warranted.

**(v) Plant and Equipment - Impairment**

Note 2(g): 'Impairment' discloses that plant and equipment is annually assessed for impairment. If this assessment indicates an asset is impaired, then the asset's recoverable amount must be estimated to determine whether an impairment loss must be recognised.

**(vi) Employee Benefits**

Note 2(i)(i): 'Salaries, Annual Leave and Sick Leave' and Note 2(i)(ii): 'Long Service Leave' disclose that the liability for employee benefits is measured at the estimated amounts expected to be paid when the liability is settled.

This estimate requires an assessment of each employee future salary levels and the timing of the settlement of this liability.

**(vii) Employee Benefits - Amounts Estimated to be Payable within 12 Months and after 12 Months**

Note 16: 'Employee Benefits' provides information on employee benefits estimated to be payable within 12 months and after 12 months.

This estimate requires an assessment of the timing of the settlement of this liability.

**(viii) Leases**

Note 2(j): 'Leases' discloses that leases are classified according to the assessed risk and benefits under the leasing arrangements.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**5. Financial Audit Fees**

	2007-08	2006-07
	\$	\$
General Government Sector	1 817 987	1 656 302
Public Trading Enterprises	681 556	512 617
External	1 190 997	928 085
<b>Total Financial Audit Fees</b>	<b>3 690 540</b>	<b>3 097 004</b>

Financial audit fees grew by \$593 536 (19.2 percent) over the 2006-07 amount. \$534 706 (90.1 percent) of this increase represented the recovery of fees charged by IT specialists and audit contractors engaged to assist in the completion of the financial audit program.

IT specialists were used to review the adequacy of controls over major revenue applications used by agencies, resulting in the higher audit fees in the General Government and Public Trading Enterprises sectors reported above. The major applications reviewed, the Territory Revenue System, Homenet, RAPS and rego.act, record over \$1 billion in taxes, fees, fines and rental revenue in the financial reports of the Territory and its agencies.

External and Public Sector Enterprises audit fees increased as the Audit Office recovered costs charged by audit contractors for work performed on behalf of the Office. Additional work was performed by contractors on auditing the valuation of ACTEW Corporation Limited's assets, to address weaknesses in the ActewAGL Joint Venture's and the ECOWISE Group's internal control environments, and to address major deficiencies in the ECOWISE Group's accounting records.

**6. Other Income**

	2007-08	2006-07
	\$	\$
Interest	90 132	71 748
Legal services received free of charge from the ACT Government Solicitor's Office	9 237	3 168
Other	227	308
<b>Total Other Income</b>	<b>99 596</b>	<b>75 224</b>

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**6. Other Income (Continued)**

Interest earned on investments rose as the Audit Office held a higher average balance in bank and investment accounts during the reporting period.

**7. Employee**

	2007-08	2006-07
	\$	\$
Salaries	2 646 315	2 392 632
Superannuation	439 459	493 428
Annual leave	18 118	4 130
Long service leave	73 609	45 861
Fringe Benefits Tax	35 017	24 393
Motor vehicle running costs	22 531	35 411
Borrowing costs on finance leases – motor vehicles	4 108	2 700
Workers' compensation premium	13 227	21 484
<b>Total Employee</b>	<b>3 252 384</b>	<b>3 020 039</b>

Employee expenses increased by \$232 345 or 7.7 percent over the prior year, due to higher salary, annual and long service leave and Fringe Benefits Tax expenses. These higher costs were partially offset by lower superannuation, motor vehicle and workers' compensation premium costs.

The major contributor to this cost increase was higher salary costs. Salary costs increased by \$253 683 or 10.6 percent mainly because the number of full-time equivalent staff increased by 2.4 staff (7.9 percent) over 2006-07. The average full-time equivalents staff number in 2007-08 was 32.6 compared to 30.2 in 2006-07.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report  
Year Ended 30 June 2008**

**8. Supplies and Services**

	<b>2007-08</b>	<b>2006-07</b>
	<b>\$</b>	<b>\$</b>
Contractors – performance audits	147 698	23 855
– financial audits	1 628 823	1 094 117
– other	34 052	12 134
Sub-total	<u>1 810 573</u>	<u>1 130 106</u>
Accommodation lease	202 585	197 233
Information technology	211 734	180 646
Training	47 463	91 644
Printing	28 587	32 715
Payroll and recruitment processing	18 995	22 948
Recruitment and advertising costs	9 682	22 745
Electricity, gas and cleaning	30 634	26 423
Telephones	19 348	18 460
Travel	13 762	15 155
Library journals and subscriptions	14 712	11 104
Security	10 708	9 954
Computer software and consumables	2 065	8 508
Insurance	8 270	7 332
Audit fees	9 500	7 000
Stationery	6 382	6 426
Financial audits provided free of charge	-	4 115
Legal services received free of charge from the ACT Government Solicitor's Office	9 237	3 168
Office equipment	3 108	2 287
Other	21 770	36 947
Sub-total	<u>668 542</u>	<u>704 810</u>
<b>Total Supplies and Services</b>	<b><u>2 479 115</u></b>	<b><u>1 834 916</u></b>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

8. Supplies and Services (Continued)

The increase of \$644 199 or 35.1 percent in supplies and services costs was largely due to a greater use of private sector contractors and specialists to assist in the completion of the Audit Office's financial and performance audit program. In particular:

- fees charged by contractors used to assist in completing the financial audit program increased by \$534 706 or 48.9 percent. Consistent with the requirements of the Australian Auditing Standards, IT specialists were used to review selected major revenue applications used by agencies, namely the Territory Revenue System, Homenet, RAPS and rego.act applications. Higher costs were also incurred in completing the audits of the financial reports of ACTEW Corporation Limited, the ActewAGL Joint Venture and the ECOWISE Group. Further information on these costs is provided in Note 5: 'Financial Audit Fees'; and
- the cost of using consultants on performance audits increased by \$123 843, and was due to the use of contractors for the performance audit on the administration of the *Freedom of Information Act 1982*.

9. Depreciation

	2007-08	2006-07
	\$	\$
Office fit-out	51 540	51 538
Computer equipment	1 080	1 080
Depreciation of motor vehicles held under a finance lease arrangement	17 112	9 910
<b>Total Depreciation</b>	<b>69 732</b>	<b>62 528</b>

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2008**

**9. Depreciation (Continued)**

Depreciation expenses increased by \$7 204 (11.5 percent) as a motor vehicle, provided as part of the remuneration of a senior executive, was transferred from an operating to a finance lease arrangement.

**10. Cash and Cash Equivalents**

	2008	2007
	\$	\$
Bank	311 299	88 396
Petty cash	500	500
Investments with the Territory Banking Account	700 000	700 000
<b>Total Cash and Cash Equivalents</b>	<b>1 011 799</b>	<b>788 896</b>

Cash at bank, held with the Commonwealth Bank, earned a floating interest rate of 6.6 percent during 2007-08 (2006-07: 6.1 percent)

Cash invested with the Territory Banking Account earned a floating interest rate of 6.07 percent in 2007-08 (2006-07: 6.4 percent).

Bank and investment funds may be withdrawn upon request.

The cash and cash equivalents balance at 30 June 2008 exceeded the prior year's position by \$222 903 or 28.3 percent. As disclosed in the Cash Flow Statement, net cash flows from operations exceeded budget expectations and 2006-07 levels because the increase in financial audit fees exceeded the increase in payments made in respect of employees and amounts paid to obtain supplies and services.

The rise in cash reflects the higher levels of unpaid accounts for audit contractors and IT consultants (See Note 14: 'Payables') and unpaid amounts owing in respect of employee benefits (Note 16: Employee Benefits) at the end of the reporting period.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report  
Year Ended 30 June 2008

11. Receivables

	2008	2007
	\$	\$
Invoiced financial audit debtors (i)	119 460	681 203
Accrued financial audit income (ii)	1 218 368	688 924
Sub-total	1 337 828	1 370 127
Goods and Services Tax net receivable (iii)	59 676	-
Other accrued interest revenue	5 356	5 663
Other debtors	-	6 194
Sub-total	65 032	11 857
<b>Total Receivables</b>	<b>1 402 860</b>	<b>1 381 984</b>

- (i) Invoiced financial audit debtors – represents amounts billed to auditees for the audits of their financial reports. Credit terms are net 14 days.
- (ii) Accrued financial audit income – represents unbilled amounts receivable from auditees for audit work performed up until the end of the reporting period. It includes amounts recoverable from auditees for amounts incurred by the Audit Office on audit contractors, IT consultants, tax specialists, actuaries or other specialists engaged to assist the completion of a financial audit.
- (iii) Goods and Services Tax net receivable – is the amount receivable from the Australian Taxation Office when the Business Activity Statement is lodged on a quarterly basis. The amount is the net of the Goods and Services Tax paid on supplies and the Goods and Services Tax collected from financial audits payable to the Australian Taxation Office.

As disclosed in Note 14: 'Payables' there was a net amount owing to the Australian Taxation Office at 30 June 2007.

Credit risk relating to receivables is disclosed in paragraph (c) of Note 24: 'Financial Risk Management'. Receivables are non-interest bearing.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

11. Receivables (Continued)

Aging of Receivables	2008	2007
	\$	\$
Not overdue	1 378 660	1 379 743
Overdue for less than 30 days	-	-
Overdue for 30 to 60 days	24 200	1 941
Overdue for more than 60 days	-	300
Sub-total	1 402 860	1 381 984
Less: Allowance for impairment	-	-
<b>Total Receivables</b>	<b>1 402 860</b>	<b>1 381 984</b>

The amount of \$24 200 overdue for 30 to 60 days at 30 June 2008 is an amount owing from UCU Ltd, a company controlled by the University of Canberra, for the audit of its financial report for the year ended 31 December 2007 under the *Corporations Act 2001*. The amount owed by UCU Ltd is expected to be collected.

Receivables with other ACT Government Entities	2008	2007
	\$	\$
Invoiced financial audit debtors	-	291 640
Accrued financial audit income	908 142	626 267
Other accrued revenue	3 165	4 608
Sub-total	911 307	922 515
Less: Allowance for impairment	-	-
	<b>911 307</b>	<b>922 515</b>

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**

**Year Ended 30 June 2008**

**11. Receivables (Continued)**

<b>Receivables with Non-ACT Government Entities</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Invoiced financial audit debtors	119 460	389 563
Accrued financial audit income	310 226	62 657
Other accrued revenue	2 191	1 055
Goods and Services Tax paid on supplies	59 676	-
Other debtors	-	6 194
<b>Sub-total</b>	<b>491 553</b>	<b>459 469</b>
Less: Allowance for impairment	-	-
	<b>491 553</b>	<b>459 469</b>
<b>Total Receivables</b>	<b>1 402 860</b>	<b>1 381 984</b>

**12. Other Current Assets**

	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>
Prepayments	3 988	5 056
<b>Total Other Current Assets</b>	<b>3 988</b>	<b>5 056</b>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

**13. Plant and Equipment**

	2008	2007
	\$	\$
Office fit-out (at fair value)	473 600	-
Less: Accumulated depreciation	-	-
Sub-total	<u>473 600</u>	<u>-</u>
Office fit-out (at cost)	-	618 449
Less: Accumulated depreciation	-	(106 953)
Sub-total	<u>-</u>	<u>511 496</u>
Computer equipment (at fair value)	-	-
Less: Accumulated depreciation	-	-
Sub-total	<u>-</u>	<u>-</u>
Computer equipment (at cost)	-	5 379
Less: Accumulated depreciation	-	(2 250)
Sub-total	<u>-</u>	<u>3 129</u>
Motor vehicles under finance leases (at fair value)	77 000	-
Less: Accumulated depreciation	-	-
Sub-total	<u>77 000</u>	<u>-</u>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report  
Year Ended 30 June 2008

13. Plant and Equipment (Continued)

	2008	2007
	\$	\$
Motor vehicles under finance leases (at cost)	-	61 623
Less: Accumulated depreciation	-	(9 910)
Sub-total	-	51 713
<b>Total plant and equipment</b>	<b>550 600</b>	<b>685 451</b>
<b>Less: Accumulated depreciation</b>	<b>-</b>	<b>(119 113)</b>
<b>Total Plant and Equipment</b>	<b>550 600</b>	<b>566 338</b>

The balances at 30 June 2008 for the Office fit-out, furniture and fittings and motor vehicles under finance leases were measured at fair value. The valuation of these assets was performed by Mr Simon O'Leary (AAPI, Plant and Machinery, MSAA), Senior Valuer Plant and Equipment, Australian Government Australian Valuation Office.

The fair valuation of the Office fit-out is based on its assessed estimated depreciated replacement cost and assumes that the Audit Office will take up the additional five-year option available at the conclusion of the present six-year lease term. The valuation of motor vehicles under finance leases was based on their assessed market value.

The fair value of computer equipment was assessed by the Audit Office based on its estimated market value.

The increase in the plant and equipment largely relates to higher asset valuations which were partially offset by depreciation charges.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2008**

**13. Plant and Equipment (Continued)**

Reconciliations of the Movements in the Carrying Amounts of Plant and Equipment	2007-08	2006-07
	\$	\$
<b>Office fit-out</b>		
Carrying amount at the beginning of the reporting period	511 496	557 288
Additions	580	5 745
Revaluation increment	13 064	-
Depreciation	(51 540)	(51 537)
Write-offs	-	-
Carrying amount at the end of the reporting period	<b>473 600</b>	<b>511 496</b>
<b>Computer equipment</b>		
Carrying amount at the beginning of the reporting period	3 129	4 209
Additions	-	-
Revaluation increment	-	-
Write-offs	(2 049)	-
Depreciation	(1 080)	(1 080)
Carrying amount at the end of the reporting period	<b>-</b>	<b>3 129</b>

Computer equipment was written off because it was obsolete.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

13. Plant and Equipment (Continued)

Reconciliations of the Movements in the Carrying Amounts of Plant and Equipment (Continued)	2007-08	2006-07
	\$	\$
<b>Motor vehicles under a finance lease</b>		
Carrying amount at the beginning of the reporting period	51 713	-
Additions	28 461	61 623
Revaluation increment	13 938	-
Depreciation	(17 112)	(9 910)
Carrying amount at the end of the reporting period	<b>77 000</b>	<b>51 713</b>

14. Payables

	2008	2007
	\$	\$
Creditors and accruals	207 529	77 396
Goods and Services Tax – net payable (i)	-	6 660
<b>Total Payables</b>	<b>207 529</b>	<b>84 056</b>

Creditors and accruals – represents amounts payable for goods and services provided to the Office prior to the end of the financial year.

Creditors and accruals are recognised at the amount to be paid for these goods and services when the liabilities are settled.

Creditors and accruals are settled on 28 day terms and are non-interest bearing.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

**14. Payables (Continued)**

- (i) Goods and Services Tax net payable - is the amount payable to the Australian Taxation Office when the Business Activity Statement is lodged on a quarterly basis.

The amount is the net of the Goods and Services Tax paid on supplies and the Goods and Services Tax collected from financial audits payable to the Australian Taxation Office.

As disclosed in Note 11: 'Receivables' there was a net amount owing from the Australian Taxation Office at 30 June 2006.

Payables increased by \$123 473 or 146.9 percent because the Audit Office received invoices from audit contractors and IT specialists engaged to assist the Office to complete the 2007-08 financial audit program close to 30 June 2008. The amounts owed have since been paid.

Aging of Payables	2008	2007
	\$	\$
Not overdue	207 529	84 056
Overdue for less than 30 days	-	-
Overdue for 30 to 60 days	-	-
Overdue for more than 60 days	-	-
<b>Total Payables</b>	<b>207 529</b>	<b>84 056</b>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report  
Year Ended 30 June 2008

14. Payables (Continued)

Payables with other ACT Government Entities	2008 \$	2007 \$
Creditors and accruals	12 504	13 242
	<b>12 504</b>	<b>13 242</b>
Payables with other Non ACT Government Entities	2008 \$	2007 \$
Creditors and accruals	195 025	70 814
	<b>195 025</b>	<b>70 814</b>
<b>Total Payables</b>	<b>207 529</b>	<b>84 056</b>

15. Finance Leases

	2008 \$	2007 \$
Current - due at the reporting date	44 688	13 682
Non current – not due at the reporting date	18 763	38 428
<b>Total Finance Leases</b>	<b>63 451</b>	<b>52 110</b>

Finance leases relate to motor vehicles provided as part of the remuneration of senior executives.

The terms and conditions of finance leases are disclosed in Note 21: 'Commitments'.

The increase in the finance lease liability resulted from the transfer of a motor vehicle, provided as part of the remuneration of a senior executive, from an operating to a finance lease arrangement.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

16. Employee Benefits

	2008	2007
	\$	\$
<b>Current - due at the reporting date</b>		
Accrued salaries	38 787	23 934
Salary packaging expenses	8 388	13 940
Annual leave	352 430	334 311
Long service leave	494 155	434 563
	<b>893 760</b>	<b>806 748</b>
<b>Non-current – not due at the reporting date</b>		
Long service leave	56 672	42 656
	<b>56 672</b>	<b>42 656</b>
<b>Total Employee Benefits</b>	<b>950 432</b>	<b>849 404</b>

As disclosed in Note 2 (i): 'Employee Benefits', these liabilities are classified as current when they are due, irrespective of when the liability is expected to be settled. Information on employee benefits estimated to be payable within 12 months and after 12 months is disclosed below.

For information purposes only	2008	2007
	\$	\$
<b>Estimated amount payable within 12 months</b>		
Accrued salaries	38 787	23 934
Salary packaging expenses	8 388	13 940
Annual leave	299 982	282 213
	<b>347 157</b>	<b>320 087</b>
<b>Estimated amount payable after 12 months</b>		
Annual leave	52 447	52 098
Long service leave	550 828	477 219
	<b>603 275</b>	<b>529 317</b>
<b>Total Employee Benefits</b>	<b>950 432</b>	<b>849 404</b>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report

Year Ended 30 June 2008

16. Employee Benefits (Continued)

Most of the \$101 028 (11.9 percent) rise in employee benefits was caused by higher long service leave liabilities.

Long service leave liabilities increased by \$73 609 (15.4 percent) because the benefits accrued for long service leave, particularly the first time recognition of liabilities for staff that reached five years of service, exceeded the amount of long service leave paid during the reporting period.

Staffing Levels

The full-time equivalent staff employed by the Audit Office at 30 June 2008 was 35.4 compared to 34.6 at 30 June 2007.

The *average* number of full-time equivalent staff employed was 32.6 in 2007-08 compared to 30.2 in 2006-07.

17. Other Liabilities

	2008	2007
	\$	\$
<b>Current</b>		
Lease incentive liability	15 625	15 625
	<b>15 625</b>	<b>15 625</b>
<b>Non Current</b>		
Lease incentive liability	20 833	36 458
<b>Total Other Liabilities</b>	<b>36 458</b>	<b>52 083</b>

The lease incentive liability represents lease incentives (for example, half-rent) included in the Audit Office's accommodation lease. This liability is amortised over the initial six-year lease term.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2008**

**18. Accumulated Funds**

	2008	2007
	\$	\$
Balance at the beginning of the reporting period	1 704 621	1 503 876
Operating (deficit) / surplus	(7 095)	200 745
Refund of unused capital injection for the Office fit-out	(13 151)	-
<b>Balance at the end of the reporting period</b>	<b>1 684 375</b>	<b>1 704 621</b>

**19. Asset Revaluation Reserve**

	2008	2007
	\$	\$
Balance at the beginning of the reporting period	-	-
Revaluation increments	27 002	-
<b>Balance at the end of the reporting period</b>	<b>27 002</b>	<b>-</b>

The revaluation increments arose from the revaluation of the Audit Office's plant and equipment. Further information on the revaluation is provided in Note 3: 'Change to Significant Accounting Policies' and in Note 13: 'Plant and Equipment'.

**20. Auditor's Remuneration**

The Treasurer appointed the auditor to audit the Audit Office's financial report and to provide a report of factual findings on the Office's statement of performance.

The auditor's remuneration for 2007-08 is \$8 500 (2006-07: \$8 000).

The auditor, and any related practice of the auditor, did not provide other services to the Audit Office during the reporting period.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report  
Year Ended 30 June 2008**

**21. Commitments**

**Finance Lease Commitments**

Finance lease commitments for motor vehicles are as follows:

	<b>2008</b>	<b>2007</b>
	\$	\$
Not later than one year	46 971	16 619
Later than one year and not later than five years	19 302	39 069
Later than five years	-	-
Sub-total	<b>66 273</b>	<b>55 688</b>
Less: Future interest charges	(2 822)	(3 578)
<b>Total Finance Lease Commitments</b>	<b>63 451</b>	<b>52 110</b>

The current and non-current liability for finance leases is presented in Note 15: 'Finance Leases'.

The leases are for two-year terms with implicit fixed interest rates ranging from 6.5 percent to 7.6 percent.

The increase in the finance lease liability resulted from the transfer of a motor vehicle, provided as part of the remuneration of a senior executive, from an operating to a finance lease arrangement.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2008**

**21. Commitments (Continued)**

**Operating Lease Commitments**

Operating lease commitments for information technology equipment and accommodation are as follows:

	2008	2007
	\$	\$
Not later than one year	407 310	412 824
Later than one year and not later than five years	412 474	628 440
Later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>819 784</b>	<b>1 041 264</b>

Most information technology equipment is under three-year leases and accommodation is under a six-year lease. Under the accommodation lease agreement, the lease may be extended for a further five years.

Operating lease commitments fell as the Audit Office met its contracted obligations during 2007-08 for the Office's accommodation and information technology equipment.

**Other Commitments**

Other commitments to financial audit contractors are as follows.

	2008	2007
	\$	\$
Not later than one year	180 854	838 231
Later than one year and not later than five years	37 517	200 774
Later than five years	-	-
<b>Total Other Commitments</b>	<b>218 371</b>	<b>1 039 005</b>

Other commitments fell as the Audit Office met its contracted obligations during 2007-08 to audit contractors engaged for financial audits.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**

**Year Ended 30 June 2008**

**22. Contingent Liabilities**

Under the terms of the accommodation lease, the Audit Office is required to return the occupied premises to a similar condition to that which existed prior to the occupancy in the event the Office were to leave the premises. Mr Simon O'Leary (AAPI, Plant and Machinery, MSAA), Senior Valuer Plant and Equipment, Australian Government Australian Valuation Office estimates this would cost around \$72 500. The Audit Office plans to remain in its accommodation for the foreseeable future.

No other contingent liabilities are known to exist.

**23. Act of Grace Payments, Waivers and Write-Offs**

There were no act of grace payments made by the Audit Office during the current or previous reporting periods.

Under the *Financial Management Act 1996*, the Treasurer may, in writing, waive the right to payment of an amount owing to the Audit Office. A waiver results in the relinquishment of a legal claim to an amount owed to the Audit Office. There were no waivers of public monies during the current or previous reporting periods.

The write-off of a debt is the accounting action taken to remove a debt from the accounting records but does not relinquish the legal right of the Audit Office to recover the debt. In the current reporting period, the Audit Office wrote off a debt of \$1 934.72 owing from a former employee relating to salary packaging arrangements. At the date of this report, attempts to recover the debt have not been successful.

**24. Financial Instruments**

The main financial risks to the Audit Office and how these risks are managed are described in this note.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in market interest rates. The Audit Office's financial assets consist of cash and cash equivalents and receivables and its financial liabilities are comprised of payables and finance leases. The Audit Office's maximum exposure to interest rate risk relating to these financial assets and liabilities is shown below in Note 24(i): 'Maturity Analysis and Exposure to Interest Rates'.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**

**Year Ended 30 June 2008**

**24. Financial Instruments (Continued)**

**(b) Interest Rate Risk (Continued)**

As receivables and payables are held in non-interest bearing arrangements and finance leases are held in fixed interest arrangements, the Audit Office is not exposed to movements in interest rates in respect of these financial assets and liabilities.

A significant proportion of the Audit Office's financial assets consist of cash and cash equivalents. As these are held in floating interest arrangements, the Audit Office is exposed to movements in the amount of interest it may earn on cash and cash equivalents.

As the Audit Office's operating cash flows are not significantly dependant on interest earned from cash and cash equivalents, a sensitivity analysis of the interest rate risk has not been performed.

**(c) Credit Risk Exposure**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Financial assets consist of cash, investments, and receivables. The Audit Office's maximum exposure to credit risk is limited to the amount of these financial assets, net of any allowance made for impairment. This is shown below in Note 24(i): 'Maturity Analysis and Exposure to Interest Rates'.

Cash and cash equivalent accounts are held with high credit quality financial institutions. Cash at bank is held with the Commonwealth Bank and cash not immediately required for operations is invested with the Territory Banking Account. The Territory Banking Account coordinates the investment of this money with various fund managers. These fund managers have the discretion to invest this money in a variety of different investments, within certain parameters.

Nearly all receivables consist of financial audit fees charged to government agencies and other entities with strong credit histories. In addition, government agencies are generally required by legislation to pay the audit fees charged by the Audit Office.

Credit risk is therefore considered to be low with no significant concentrations of credit risk.

**ACT AUDITOR-GENERAL'S OFFICE**

**Notes to the Financial Report**

**Year Ended 30 June 2008**

**24. Financial Instruments (Continued)**

**(d) Liquidity Risk**

Liquidity risk is the risk that the Audit Office will encounter difficulties in meeting its financial obligations as they fall due.

The Audit Office holds sufficient cash on hand to meet its immediate operating requirements. Appropriations received to fund performance audit and other activities are drawn down progressively throughout the year, and financial audit fees are invoiced progressively to ensure the Audit Office can meet its obligations throughout the year.

Note 24(i): 'Maturity Analysis and Exposure to Interest Rates' discloses when the Audit Office expects its financial assets and financial liabilities to mature. It shows that, at the end of the reporting period, the Office held sufficient financial assets to meet its financial liabilities when they fall due.

As disclosed in the Balance Sheet, the Audit Office retained, at the end of the reporting period, sufficient cash and investments to meet its short and long-term liabilities, the majority of which consist of employee benefits.

**(e) Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price.

The Audit Office is not exposed to price risk as its financial assets, consisting of cash and cash equivalents and receivables are not affected by movements in market price.

**(f) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The Audit Office is not exposed to currency risk as all of its transactions are conducted in Australian dollars.

**(g) Unrecognised Financial Assets and Financial Liabilities**

There were no unrecognised financial assets or financial liabilities.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**  
**Year Ended 30 June 2008**

**24. Financial Instruments (Continued)**

**(h) Fair Values of Financial Assets and Financial Liabilities**

The carrying amounts and fair values of financial assets and financial liabilities at the end of the reporting period are:

	Note	Carrying Amount 2008 \$	Fair Value 2008 \$	Carrying Amount 2007 \$	Fair Value 2007 \$
<b>Financial Assets</b>					
Cash and cash equivalents	10	1 011 799	1 011 799	788 896	788 896
Receivables	11	1 402 860	1 402 860	1 381 984	1 381 984
<b>Total Financial Assets</b>		<b>2 414 659</b>	<b>2 414 659</b>	<b>2 170 880</b>	<b>2 170 880</b>
<b>Financial Liabilities</b>					
Payables	14	207 529	207 529	84 056	84 056
Finance leases	15	63 451	63 451	52 110	52 110
<b>Total Financial Liabilities</b>		<b>270 980</b>	<b>270 980</b>	<b>136 166</b>	<b>136 166</b>

**(i) Maturity Analysis and Exposure to Interest Rates**

The following tables set out the Audit Office's maturity analysis for financial assets and financial liabilities as well as the exposure to interest rates, including the weighted average interest rates, by maturity period, as at 30 June 2008 and 30 June 2007.

All financial assets and financial liabilities which have a floating interest rate, or are non-interest rate bearing, will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

The Audit Office does not hold any collateral as security relating to its financial assets.

The Office does not hold any financial assets that are past due or impaired.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report  
Year Ended 30 June 2008

24. Financial Instruments (Continued)

(i) Maturity Analysis and Exposure to Interest Rates (Continued)

As at 30 June 2008

	Weighted Average Interest Rate  %	Floating Interest Rate  \$	Fixed Interest Rate Maturing in One Year or Less \$	Fixed Interest Rate Maturing in One to Two Years \$	Non- Interest Bearing \$	Total \$
<b>Financial Assets</b>						
Cash and cash equivalents	6.6%	1 011 299	-	-	500	1 011 799
Receivables		-	-	-	1 402 860	1 402 860
<b>Total</b>		<b>1 011 299</b>	<b>-</b>	<b>-</b>	<b>1 403 360</b>	<b>2 414 659</b>
<b>Financial Liabilities</b>						
Payables		-	-	-	207 529	207 529
Finance leases	6.5% to 7.6%	-	46 971	19 302	-	66 273
<b>Total</b>		<b>-</b>	<b>46 971</b>	<b>19 302</b>	<b>207 529</b>	<b>273 802</b>
<b>Net Financial Assets /(Liabilities)</b>		<b>1 011 299</b>	<b>(46 971)</b>	<b>(19 302)</b>	<b>1 195 831</b>	<b>2 140 857</b>

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Report  
Year Ended 30 June 2008

24. Financial Instruments (Continued)

(i) Maturity Analysis and Exposure to Interest Rates (Continued)

As at 30 June 2007

	Weighted Average Interest Rate  %	Floating Interest Rate  \$	Fixed Interest Rate Maturing in One Year or Less  \$	Fixed Interest Rate Maturing in One to Two years  \$	Non- Interest Bearing  \$	Total  \$
<b>Financial Assets</b>						
Cash and cash equivalents	6.1 to 6.4%	788 396	-	-	500	788 896
Receivables	-	-	-	-	1 381 984	1 381 984
<b>Total</b>		<b>788 396</b>	<b>-</b>	<b>-</b>	<b>1 382 484</b>	<b>2 170 880</b>
<b>Financial Liabilities</b>						
Payables	-	-	-	-	84 056	84 056
Finance leases	6.5%	-	16 619	39 069	-	55 688
<b>Total</b>		<b>-</b>	<b>16 619</b>	<b>39 068</b>	<b>84 056</b>	<b>139 744</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>788 396</b>	<b>(16 619)</b>	<b>(39 068)</b>	<b>1 298 428</b>	<b>2 031 136</b>

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Report**

**Year Ended 30 June 2008**

**25. Related Party Transactions**

Australian Accounting Standard AASB 124: 'Related Party Disclosures' applies only to private sector entities. One of the significant requirements of AASB 124 is to require the financial reports of private sector entities to disclose transactions that have taken place between the Key Management Personnel of an entity and parties that are related to the Key Management Personnel. AASB 124 defines Key Management Personnel as those persons that have authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Audit Office considers that it represents better practice to include related party disclosures in its financial report.

The following disclosures are therefore made in relation to the Auditor-General, the Director, Performance Audits and Corporate Services and the Director, Financial Audits as they are considered to be Key Management Personnel for the purposes of AASB 124.

The remuneration paid to the Auditor-General, the Director, Performance Audits and Corporate Services and the Director, Financial Audits is determined by the ACT Remuneration Tribunal and tabled in the ACT Legislative Assembly.

The Director, Financial Audits is the brother of an Executive Director of WalterTurnbull. WalterTurnbull conducts financial audits under contract with the Audit Office from time to time. Any potential conflict of interest was addressed by the Director, Financial Audits not being involved in the selection of audit contractors or in the Audit Office's management of any contract with WalterTurnbull.

The Audit Office paid \$17 343.70 (including GST) to WalterTurnbull for the provision of financial audit services and \$4 400.00 (including GST) for performing a taxation compliance review in 2007-08 (2006-07: \$nil).

**26. Transactions with Employees**

During the reporting period, five staff members purchased surplus and obsolete items of office furniture for \$67.00 (including GST).



**STATEMENT OF PERFORMANCE**

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2008**

**STATEMENT OF RESPONSIBILITY**

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2008 fairly reflects the operational performance of the Office for the year ended 30 June 2008.



Tu Pham  
Auditor-General

5 August 2008

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2008**

**STATEMENT BY THE CHIEF FINANCE OFFICER**

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2008 fairly reflects the operational performance of the Office for the year ended 30 June 2008.



Bernie Sheville  
Chief Finance Officer

5 August 2008

## REPORT OF FACTUAL FINDINGS

### Di Bartolo Diamond & Mihailaros

An Australian Capital Territory Partnership



Chartered Accountants  
& Business Advisers

#### REPORT OF FACTUAL FINDINGS ACT AUDITOR GENERAL'S OFFICE

##### To the Members of the ACT Legislative Assembly

##### Findings

Based on our procedures, no matters have come to our attention which indicate the Statement of Performance of the ACT Auditor-General's Office for the year ended 30 June 2008 does not fairly present the performance of the Office in accordance with the *Financial Management Act 1996*.

##### Responsibility for the Statement of Performance

The ACT Auditor-General is responsible for the Statement of Performance. This includes responsibility for the maintenance of adequate supporting records and internal controls that are designed to prevent and detect fraud and error, and for the measurement policies and estimates used in the preparation of the Statement of Performance.

##### The Auditor's Responsibility

In accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2008*, our responsibility is to provide a report of factual findings on the performance measures included in the ACT Auditor-General's Office Statement of Performance.

##### Scope

We have reviewed the Statement of Performance of the ACT Auditor-General's Office for the year ended 30 June 2008, in order to report on whether any matters have come to our attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is primarily limited to inquiries of the ACT Auditor-General's Office representatives, analytical procedures and the examination of other available evidence. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Statement of Performance. Our procedures also did not include an assessment of the relevance or appropriateness of the measures contained within the Statement of Performance. We have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

##### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

PKF Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Dated: 24.7.2008.

Tel: 02 6257 7500 | Fax: 02 6257 7599 | www.pkf.com.au  
Level 7, 28 University Ave | Canberra City | ACT 2601  
GPO Box 588 | Canberra City | ACT 2601

PARTNERS:  
Ross Di Bartolo B.A (Accounting). FCA  
George Diamond B.Ec. FCA  
John Mihailaros B.Comm (Accounting). CA

PKF is a national association of independent chartered accounting and consulting firms, each trading as PKF PKF Australia Ltd is also a member of PKF International, an association of legally independent chartered accounting and consulting firms. Liability limited by a scheme approved under Professional Standards Legislation.

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE**

**YEAR ENDED 30 JUNE 2008**

The ACT Auditor-General's Office's objectives are to inform the Legislative Assembly and the community of the performance of the ACT public sector, to promote accountability, to contribute to improving agency performance, and to operate in an efficient manner.

The Audit Office fulfils its role and meets its objectives largely through the conduct of audits of the annual financial reports of the Territory, its departments and authorities and by completing performance audits and other reviews.

The performance indicators below measure the number and timeliness of reports as well as measuring the quality and effectiveness of audit work using feedback obtained from agencies and the acceptance rate of recommendations made on financial audits. The efficiency of the Audit Office can be evaluated by considering the audit costs per hour and by comparing the cost of the Office to total Territory expenditure.

Measures	Notes	Target 2007-08	Result 2007-08	Variance from Target
<b>Costs</b>				
Audit costs per hour excluding audit contractor costs	1	\$103	\$102	(1%)
Audit Office costs as a percentage of total Territory expenditure	2	0.16%	0.17%	6%
<b>Quantity</b>				
Number of audit opinions issued on financial reports	3	70	68	(3%)
Number of reports of factual findings issued on statements of performance	4	27	27	-
Number of audit reports presented to the Legislative Assembly	5	8	6	(25%)

This Statement of Performance should be read in conjunction with the accompanying explanations.

**ACT AUDITOR-GENERAL'S OFFICE**

**STATEMENT OF PERFORMANCE**

**YEAR ENDED 30 JUNE 2008**

<b>Measures</b>	<b>Notes</b>	<b>Target 2007-08</b>	<b>Result 2007-08</b>	<b>Variance from Target</b>
<b>Quality/Effectiveness</b>				
Percentage of Chief Executives satisfied with financial audits	6	95%	98%	3%
Percentage of Chief Executives satisfied with performance audit reports	7	95%	90%	(5%)
Percentage of recommendations accepted in financial audits	8	95%	95%	-
<b>Timeliness</b>				
Percentage of financial audits completed within the required timetable	9	100%	100%	-
Average period of completion of performance audits (months)	10	8 months	8 months	-

This Statement of Performance should be read in conjunction with the accompanying explanations.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance  
Year Ended 30 June 2008**

1. **Audit costs per hour excluding audit contractor costs** (i.e. the Audit Office's 'internal costs') represents the Office's total expenses, less audit contractor costs, divided by the number of hours charged to audits by the Office's staff.

The target **Audit costs per hour excluding audit contractor costs** of \$103 was calculated as the budgeted total Audit Office expenses of \$5 209 416, less the budgeted audit contractor costs of \$1 009 000, divided by the budgeted hours of 40 611 (based on 2006-07 actual hours).

The actual **Audit costs per hour excluding audit contractor costs** of \$102 was calculated as the actual total expenses of \$5 801 231, less actual audit contractor costs of \$1 776 521, divided by the actual hours for the year ended 30 June 2008 of 39 360.

Audit costs per hour (\$102) were consistent with the target (\$103).

2. **Audit Office costs as a percentage of total Territory expenditure** represents expected total Office costs divided by expected total Territory expenditure.

The target **Audit Office costs as a percentage of total Territory expenditure** of 0.16 percent represents the budgeted Office expenses for 2007-08 of \$5 209 416, divided by the budgeted Territory expenditure for 2007-08 of \$3 268 million<sup>1</sup>.

The **Audit Office costs as a percentage of total Territory expenditure** was 0.17 percent. This was calculated as Office expenses of \$5 801 231, divided by the 2007-08 estimated outcome of total Territory expenditure, of \$3 401 million<sup>2</sup>.

<sup>1</sup> Page 271 of 2007-08 Budget Paper No. 3.

<sup>2</sup> Page 248 of 2008-09 Budget Paper No. 3.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

Audit Office costs as a percentage of total Territory expenditure were 6 percent higher than expected. The Office's costs were \$591 273 (11 percent) higher than expected due to higher employee costs and the greater use of private sector contractors and specialists to assist in the completion of the Audit Office's financial and performance audit program. Further information on these cost increases is provided in the financial report in Note 8: 'Supplies and Services' and Note 7: 'Employee'.

- 3. Number of audit opinions issued on financial reports** represents the financial audits that were completed and audit opinions issued in the reporting period from 1 July 2007 to 30 June 2008.

The Audit Office was unable to provide two of the expected audit opinions because two financial reports for the Lyons Joint Venture were not provided to the Office during the reporting period.

A listing of the financial audit opinions issued during the reporting period is provided later in this Statement of Performance.

- 4. Number of reports of factual findings issued on statements of performance** represents the number of reviews of statements of performance that were completed in the reporting period from 1 July 2007 to 30 June 2008.

As expected, the Audit Office issued 27 reports of factual findings on statements of performance.

A listing of the reports of factual findings issued during the reporting period is provided later in this Statement of Performance

**ACT AUDITOR-GENERAL'S OFFICE**

**Explanations Accompanying the Statement of Performance (Continued)  
Year Ended 30 June 2008**

- 5. Number of audit reports presented to the Legislative Assembly.** The following audit reports were presented in the Legislative Assembly in 2007-08:
- (i) The FireLink Project.
  - (ii) The Aged Care Assessment Program and the Home and Community Care Program.
  - (iii) 2006-07 Financial Audits.
  - (iv) Chris21 Human Resource Management System: Procurement and Implementation.
  - (v) Management of Calvary Hospital Agreements.
  - (vi) Records Management in the ACT Government Agencies.

The number of reports tabled were two (25 percent) less than expected. This was mainly due to the departure of senior members of the performance audit team during the reporting period. In addition, some of these audits were more complex and time consuming than anticipated and therefore required more resources than expected.

- 6. Percentage of Chief Executives satisfied with financial audits.** A survey of Chief Executives, Chief Executive Officers or their delegates was conducted to rate their satisfaction with financial audits completed in 2007-08. The results of the survey are shown below.

Rating	No. of Responses	%
Very Good	11	23
Good	24	50
Satisfactory	12	25
	<b>47</b>	<b>98</b>
Poor	1	2
Very Poor	-	-
<b>Total</b>	<b>48</b>	<b>100</b>

Source: Agency Satisfaction Surveys.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

The **percentage of Chief Executives, Chief Executive Officers or their delegates satisfied with financial audits** (98 percent) was slightly above the target (95 percent), with 83 percent rating the Audit Office's performance as good or very good.

One poor rating was provided by the Gambling and Racing Commission. The Commission believed that there was a lack of communication between the Commission and the assigned audit team during the audit. Processes to improve communication between the Commission and the audit team were implemented for the audit of the Commission's 2007-08 financial report and statement of performance.

7. **Percentage of Chief Executives satisfied with performance audit reports** was based on surveys completed by Chief Executives, Chief Executive Officers or their delegates of audited agencies.

The results of these surveys are shown below.

Rating	No. of Responses	%
Very Good	1	10
Good	5	50
Satisfactory	3	30
	<b>9</b>	<b>90</b>
Poor	1	10
Very Poor	-	-
<b>Total</b>	<b>10</b>	<b>100</b>

Source: Agency satisfaction surveys.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

The **percentage of Chief Executives satisfied with performance audits** (90 percent) was lower than the target (95 percent). All (except one) of the surveyed Chief Executives, Chief Executive Officers or their delegates rated the Office's performance as satisfactory or better, and 60 percent rated the Audit Office's performance as good or very good.

The Chief Executive of the Department of Treasury provided a poor rating relating to the cross-agency performance audit on records management in ACT Government agencies. The Chief Executive expressed concerns on the lack of communication during the audit.

**Audit Office Comments**

The Audit Office will discuss these concerns with Treasury's representatives, with a view to identifying possible areas for improvement in the audit process.

8. **Percentage of recommendations accepted in financial audits** is calculated as the number of recommendations accepted by the auditee, divided by the number of recommendations made in audit management reports relating to financial audits.

Auditees accepted 562 (95 percent) of the 593 recommendations made during the reporting period. This high acceptance rate is consistent with the Audit Office's expectations.

**ACT AUDITOR-GENERAL'S OFFICE**

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

- 9. Percentage of financial audits completed within the required timetable.** The 'required timetable' refers to the timetable agreed between the Audit Office and Treasury to meet legislative requirements, or, where there is no legislative timeframe, the time agreed between the Office and the agency.

All audits were completed within the required timetable. No timetable could be set for the two Lyons Joint Venture financial reports that were not provided to the Audit Office during the reporting period.

- 10. Average period of completion of performance audits (months)** covers the performance audits completed and reported in 2007-08.

This measure reports the average duration of a performance audit, from commencement to completion. A performance audit is taken to have commenced when an engagement letter is sent to the relevant Chief Executives or their equivalent. Typically, some planning activity is undertaken prior to the commencement of the audit. Completion date is taken to be the date the formal report is presented to the Speaker of the Legislative Assembly for tabling.

The target of taking an average of eight months to complete performance audits was achieved.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

**FINANCIAL AUDITS COMPLETED IN 2007-08**

This table represent the financial audits that were completed during the period from 1 July 2007 to 30 June 2008. This list includes audits for the years ending 30 June 2007 and 31 December 2007.

		<b>Audit Opinion on the Financial Report</b>	<b>Report of Factual Findings on the Statement of Performance</b>
<b>Territory Financial Report</b>			
1	Consolidated Annual Financial Report	Unqualified	Not Applicable
<b>Departments</b>			
2	Central Financing Unit	Unqualified	Unqualified
3	Chief Minister's Department	Unqualified	Unqualified
4	Department of Disability, Housing and Community Services	Unqualified	Unqualified
5	Department of Education and Training	Unqualified	Unqualified
6	ACT Executive	Unqualified	Not Applicable
7	ACT Health	Unqualified	<b>Qualified</b>
8	Home Loan Portfolio	Unqualified	Unqualified
9	Housing ACT	Unqualified	Unqualified
10	Shared Services Centre	Unqualified	<b>Qualified</b>
11	Department of Justice and Community Safety	Unqualified	<b>Qualified</b>
12	Legislative Assembly Secretariat	Unqualified	Not Applicable
13	ACT Planning and Land Authority	Unqualified	Unqualified
14	Superannuation Unit	Unqualified	Unqualified
15	Department of Treasury	Unqualified	Unqualified
16	Department of Territory and Municipal Services	Unqualified	Unqualified
17	ACTION	Unqualified	Unqualified
<b>Authorities</b>			
18	ACT Building and Construction Industry Training Fund Authority	Unqualified	Unqualified
19	Canberra Institute of Technology	Unqualified	<b>Qualified</b>
20	Canberra Public Cemeteries Authority	Unqualified	Unqualified
21	ACT Cleaning Industry Long Service Leave Authority	Unqualified	<b>Qualified</b>
22	ACT Construction Industry Long Service Leave Authority	Unqualified	<b>Qualified</b>
23	Cultural Facilities Corporation	Unqualified	Unqualified

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

**FINANCIAL AUDITS COMPLETED IN 2007-08 (continued)**

	<b>Audit Opinion on the Financial Report</b>	<b>Report of Factual Findings on the Statement of Performance</b>
<b>Authorities (Continued)</b>		
24	Unqualified	Unqualified
25	Unqualified	Unqualified
26	Unqualified	Unqualified
27	Unqualified	Unqualified
28	Unqualified	Unqualified
29	Unqualified	Unqualified
30	Unqualified	Not Applicable
31	Unqualified	Not Applicable
32	Unqualified	Unqualified
33	Unqualified	Not Applicable
34	Unqualified	Not Applicable
35	Unqualified	Not Applicable
36	Unqualified	Not Applicable
37	Unqualified	Not Applicable
38	Unqualified	Not Applicable
39	Unqualified	Not Applicable
40	<b>Qualified</b>	Not Applicable
41	<b>Qualified</b>	Not Applicable
42	Unqualified	Not Applicable
43	Unqualified	Not Applicable
44	Unqualified	Not Applicable
45	Unqualified	Not Applicable
<b>Joint Ventures and Partnerships</b>		
46	Unqualified	Not Applicable
47	Unqualified	Not Applicable
48	Unqualified	Not Applicable
49	Unqualified	Not Applicable
50	Unqualified	Not Applicable
51	Unqualified	Not Applicable
52	Unqualified	Not Applicable
53	Unqualified	Not Applicable
54	Unqualified	Not Applicable
55	Unqualified	Not Applicable

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**  
**Year Ended 30 June 2008**

**FINANCIAL AUDITS COMPLETED IN 2007-08 (continued)**

		<b>Audit Opinion on the Financial Report</b>	<b>Report of Factual Findings on the Statement of Performance</b>
<b>Other Audits</b>			
56	Canberra Business Development Fund	Unqualified	Not Applicable
57	Capital Region Community Foundation Open Fund	Unqualified	Not Applicable
58	Capital Region Community Foundation Gift Fund	Unqualified	Not Applicable
59	Commonwealth Funding under <i>Australian Land Transport Development Act 1988</i>	Unqualified	Not Applicable
60	Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i>	Unqualified	Not Applicable
61	Commonwealth Funding under the <i>Roads to Recovery Act 2000</i>	Unqualified	Not Applicable
62	Commonwealth State Housing Agreement 2007	Unqualified	Not Applicable
63	DEST Grant Acquittal Audit	Unqualified	Not Applicable
64	Gungahlin Cemetery Perpetual Care Trust	Unqualified	Not Applicable
65	Hall Cemetery Perpetual Care Trust	Unqualified	Not Applicable
66	Nicholls Primary School Joint Facilities	Unqualified	Not Applicable
67	Woden Cemetery Perpetual Care Trust	Unqualified	Not Applicable
68	Default Insurance Fund	Unqualified	Not Applicable

### FINANCIAL AUDIT FEES

Section 16(6) of the *Auditor-General Act 1996* requires the Audit Office's annual report to include details of the basis on which fees for financial audits conducted during the reporting period were decided by the Auditor-General.

Agencies are charged a fee for financial audits undertaken by the Audit Office. Audit fees are estimated for each financial audit, broadly based on the estimated time needed to complete the audit.

The Audit Office prepares these time estimates using information on the actual time taken to complete these audits in previous years and takes into account any major factors that would cause significant changes to the resources needed to complete the audit. Major factors that tend to affect the time needed to complete an audit include changes to information systems used by the agency, variations to the number and type of performance measures, new audit or accounting issues and the effects of administrative restructures. Changes to auditing standards and the greater consideration given to computer information systems continue to significantly increase the time and the associated costs of completing financial audits.

The Audit Office aims to provide budget consistency and certainty, especially for small agencies, by minimising fee variations between years. This practice means that the Office, with few exceptions, charges the previously advised estimated fees regardless of whether small surpluses or losses are subsequently recorded on individual audits.

Overall audit fees also contribute to meeting the costs of other general financial audit activities, including the completion of the annual report on financial audits to the Legislative Assembly, maintaining and upgrading the Office's financial audit methodology and liaison with agencies on emerging audit and accounting issues.

Agencies, on average, paid \$83.52 per hour for the completion of their financial audits in 2007-08. This compared favourably to the most recent rates typically quoted by private audit firms for financial audit work outsourced by the Office of around \$160 per hour.

Fees for audits undertaken principally by contractors are set on the basis of the audit fee payable to the contractors plus costs for associated work undertaken by Audit Office staff.

### Financial audit fees

Agency	Note 1	2006-07 Audit Fees \$	2005-06 Audit Fees \$	2004-05 Audit Fees \$	2003-04 Audit Fees \$
<b>Territory Financial Statements</b>					
Consolidated Annual Financial Report		72 904	70 100	68 000	62 000
		<b>72 904</b>	<b>70 100</b>	<b>68 000</b>	<b>62 000</b>
<b>Departmental Financial Audits</b>					
Central Financing Unit		35 568	34 200	33 200	30 135
Chief Minister's Department		91 104	87 600	85 000	84 300
Disability, Housing and Community Services	2	85 000	47 600	46 200	42 000
Economic Development	3	Nil	47 900	46 500	Nil
Education and Training		94 328	90 700	88 000	79 000
Emergency Services Authority	4	Nil	47 400	46 000	Nil
Executive		7 280	7 000	6 800	5 636
Forests	5	Nil	45 100	43 700	35 500
Health		136 136	130 900	127 000	140 545
Home Loan Portfolio		11 856	11 400	11 000	10 000
Housing ACT	6	139 400	72 100	70 000	64 000
Shared Services Centre (InTACT)		56 784	54 600	53 000	48 000
Justice and Community Safety	7	142 200	82 400	80 000	91 200
Legislative Assembly Secretariat		23 504	22 600	17 000	17 000
Office for Children, Youth and Family Support	8	Nil	47 400	46 000	10 000
Planning and Land Authority		57 100	51 500	50 000	47 000
Superannuation Unit		37 600	36 100	35 000	32 600

Note 1: The audit fees shown for 2006-07 represent 31 December 2006 and 30 June 2007 year-ends. The financial audit fees shown in the table represent the audit fees charged to auditees. The fees presented in the table vary from that reported in the annual financial report due to accrual information being included in the audited financial report.

Note 2: The 2006-07 increase resulted from the inclusion of the former Office for Children, Youth and Family Support in Disability, Housing and Community Services.

Note 3: Economic Development was abolished and its functions were transferred to the Chief Minister's Department and the Department of Treasury.

Note 4: The Emergency Services Authority was merged into Justice and Community Safety.

Note 5: Forests was abolished and its functions transferred to Territory and Municipal Services.

Note 6: The increase in Housing ACT's audit fee in 2006-07 is due to IT audit coverage of the Homenet system for the first time.

Note 7: The increase in Justice and Community Safety's audit fees in 2006-07 is due to the amalgamation of the Emergency Services Authority into the Department.

Note 8: The Office for Children, Youth and Family Support was abolished and its functions were transferred to Disability, Housing and Community Services.

## Audit Office's performance

Agency	Note	2006-07 Audit Fees \$	2005-06 Audit Fees \$	2004-05 Audit Fees \$	2003-04 Audit Fees \$
Treasury	9	189 350	101 200	98 200	89 250
Territory and Municipal Services (Urban Services)	10	268 000	206 400	200 300	182 500
Workcover	11	Nil	22 900	22 200	20 300
		<b>1 375 210</b>	<b>1 247 000</b>	<b>1 205 100</b>	<b>1 028 966</b>
<b>Statutory Authorities</b>					
ACTION Authority		68 120	65 500	63 500	58 000
Australian Capital Tourism Corporation	12	Nil	22 900	17 300	19 300
Australian International Hotel School	13	Nil	34 250	24 000	18 900
Building Industry Training Fund Authority		5 578	5 900	5 700	5 200
Canberra Institute of Technology		82 400	120 000	65 500	62 400
Canberra Public Cemeteries Authority		19 400	17 600	17 000	20 000
Cleaning Industry Long Service Leave Authority		14 181	13 636	13 200	12 090
Construction Industry Long Service Leave Authority		19 287	18 545	18 000	15 182
Cultural Facilities Corporation		22 360	21 500	20 800	18 900
Exhibition Park Corporation		10 712	10 300	10 000	9 300
Gambling and Racing Commission		20 600	19 800	19 200	17 500
HealthPACT	14	Nil	7 800	7 500	6 818
Independent Competition and Regulatory Commission		6 145	6 500	6 300	6 000
Insurance Authority		42 900	41 200	40 000	36 700
Land Development Agency		92 500	103 000	100 000	90 000
Legal Aid Commission		23 190	22 300	21 600	19 700
Public Trustee Office Account		14 800	14 200	13 700	12 000
Public Trustee Trust Account		16 200	15 500	15 000	13 600
Stadiums Authority	15	Nil	40 000	37 200	33 818
University of Canberra		115 000	109 454	104 273	99 300
Default Insurance Fund (Workers' Compensation Supplementation Fund)		18 600	15 400	14 950	6 200
		<b>591 973</b>	<b>725 285</b>	<b>634 723</b>	<b>580 908</b>

Note 9: The increase in Treasury's audit fee is due to IT audit coverage of the Territory Revenue System (TRS) for the first time.

Note 10: The increase in the audit fee is due to IT audit coverage of the RAPS and rego.act systems for the first time, along with the amalgamation of ACT Forests, Stadiums Authority and the Australian Capital Tourism Corporation into the Department's operations.

Note 11: Workcover was abolished and its functions were transferred to Justice and Community Safety.

Note 12: This agency was abolished and its functions were transferred to the Department of Territory and Municipal Services.

Note 13: The Australian International Hotel School was sold.

Note 14: HealthPACT was abolished and its functions were transferred to ACT Health.

Note 15: Stadiums Authority was abolished and its functions were transferred to the Territory and Municipal Services.

Agency	Note	2006-07 Audit Fees \$	2005-06 Audit Fees \$	2004-05 Audit Fees \$	2003-04 Audit Fees \$
<b>Territory Owned Corporations and Other Companies</b>					
ACTEW China Pty Ltd		4 700	4 500	4 250	3 750
ACTEW Corporation Ltd	16	188 395	121 000	111 300	103 200
ACTEW Distribution Ltd		12 000	10 000	8 150	7 600
ACTEW Retail Ltd		12 000	10 000	8 150	7 600
ACTTAB Ltd		42 730	46 700	39 500	36 000
CIT Solutions Pty Ltd		22 727	23 000	20 600	19 600
Community Housing Canberra Ltd		10 400	9 300	9 000	8 200
ECOWISE Environmental Pty Ltd	17	297 770	133 000	50 000	50 900
ECOWISE Environmental (Victoria) Pty Ltd	18	279 437	103 000	61 000	Nil
Rhodium Asset Solutions Ltd		160 462	160 000	50 400	Nil
Totalcare Industries Ltd		18 200	17 500	64 765	175 068
University of Canberra College Pty Ltd		12 618	28 100	11 445	10 900
UCU Ltd		13 500	Nil	Nil	Nil
Water ECOscience Pty Ltd	19	Nil	75 000	8 000	Nil
Water Quality Centres Pty Ltd	20	Nil	42 000	66 000	Nil
WSL Consultants Pty Ltd	21	Nil	44 000	Nil	Nil
		<b>1 074 939</b>	<b>827 100</b>	<b>512 560</b>	<b>422 818</b>
<b>Joint Ventures and Partnerships</b>					
ActewAGL Joint Venture	22	243 705	189 719	147 600	148 800
Amaroo 3 Joint Venture	23	Nil	500	4 000	6 000
Forde Joint Venture		8 200	8 000	Nil	Nil
Gold Creek Country Club Pty Ltd		16 000	18 000	18 000	15 000
Gordon 1 / Gordon 9 Southside Estates		Nil	Nil	2 600	2 700
Harcourt Hill Estate		8 000	8 500	5 000	19 800

Note 16: The increase in ACTEW Corporation's audit fee was due mainly to the implementation of a new revenue system and the revaluation of the Company's assets.

Note 17: The increase in the ECOWISE Environmental Pty Ltd's audit fee in 2006-07 was due to major weakness in the company's control environment and internal controls.

Note 18: The increase in ECOWISE Environmental (Victoria) Pty Ltd audit fee in 2006-07 was due to major weakness in the company's control environment and internal controls.

Note 19: Water ECOscience Pty Ltd was no longer a reporting entity under the requirements of the *Corporations Act 2001*.

Note 20: Water Quality Centres Pty Ltd was no longer a reporting entity under the requirements of the *Corporations Act 2001*.

Note 21: WSL Consultants Pty Ltd was no longer a reporting entity under the requirements of the *Corporations Act 2001*.

Note 22: The increase in ActewAGL's audit fee in 2006-07 was due mainly to the implementation of a new revenue system and weaknesses in IT internal controls.

Note 23: Amaroo 3 Joint Venture was wound up in 2005-06.

## Audit Office's performance

Agency	Note	2006-07 Audit Fees \$	2005-06 Audit Fees \$	2004-05 Audit Fees \$	2003-04 Audit Fees \$
Kingston Stage 1A Joint Venture		3 000	3 000	5 000	5 000
Nicholls Lakeside Estate		Nil	Nil	Nil	2 150
Woden East Joint Venture		3 000	Nil	Nil	Nil
		<b>281 905</b>	<b>227 719</b>	<b>182 200</b>	<b>199 450</b>
<b>Other Audits</b>					
Australian National Training Authority – AVETMISS	24	Nil	5 227	2 500	2 100
Australian National Training Authority – Baseline Funding	25	Nil	2 000	2 500	2 100
Australian National Training Authority – Recurrent Funding	26	Nil	1 000	5 250	2 100
Canberra Business Development Fund		5 722	5 500	4 600	4 200
Commonwealth Funding Roads Acquittal		8 759	9 250	7 500	3 990
Commonwealth State Housing Agreement Acquittals		9 454	9 100	8 500	15 000
University of Canberra Grant Acquittal		3 300	3 150	3 300	3 000
Natural Disaster Relief Arrangements		Nil	Nil	7 273	2 720
Nicholls Primary School Joint Facilities		900	900	900	840
Nominal Insurer		Nil	2 500	2 400	2 300
Acquittal of Networking the Nation Grant		Nil	Nil	Nil	3 182
Acquittal of Bushfire Mitigation Program		Nil	Nil	8 000	Nil
ACT Health Simplified Billing Acquittal		Nil	2 800	20 000	24 373
Television Black Spots Acquittal		Nil	Nil	2 500	Nil
Capital Region Foundation Gift Fund		2 000	Nil	Nil	Nil
Capital Region Foundation Open Fund		2 000	Nil	Nil	Nil
		<b>32 135</b>	<b>41 427</b>	<b>75 223</b>	<b>65 905</b>
<b>Total Fees</b>		<b>3 429 066</b>	<b>3 138 631</b>	<b>2 677 806</b>	<b>2 360 047</b>

Note 24: The Audit Office was not requested to audit this acquittal in 2006-07.

Note 25: The Audit Office was not requested to audit this acquittal in 2006-07.

Note 26: The Audit Office was not requested to audit this acquittal in 2006-07.

### **3. MANAGEMENT OF THE AUDIT OFFICE**

---

#### **FRAUD PREVENTION**

The 'Financial Instructions' issued by the Auditor-General set out the financial management rules for the Office. The purpose of these Instructions is to establish adequate internal control processes in order to minimise the risk of fraud, theft, inefficiency and waste. The Instructions refer to the Public Sector Management Standards on Fraud and Ethics and identify the responsibility of staff to report any deficiency or failure in the internal control procedures.

The Audit Office has policies and practices in place to minimise the risk of fraud and corruption. These policies and procedures include the Office's Integrity Code on the required standards of conduct, Personnel Delegations, Asset Management Guidelines and instructions on the Acceptable Access and Use of IT Resources. Staff have been made aware of these policies and practices, with new staff being introduced to them as part of induction training. Management communicated and implemented these policies and procedures throughout the year.

No fraudulent activity or unethical behaviour was identified during 2007-08.

The Director, Performance Audits and Corporate Services is the Senior Executive Responsible for Business Integrity Risk (SERBIR).

#### **RISK MANAGEMENT AND INTERNAL AUDIT**

The Audit Office has a comprehensive Risk Management Framework which is consistent with the ACT Government's Risk Management Guidelines and the *Risk Management Standard AS/NZS 4360:2004*. The framework includes a Business Continuity Plan and a Risk Management Plan. The Business Continuity Plan maps the actions to be taken in the event of a disaster or interruption to the Office's operation. The Risk Management Plan sets out identified risks and determines appropriate measures to reduce all risks.

Both plans are regularly reviewed and monitored by the Management Committee. The Risk Management Plan was last reviewed in May 2008 and the next scheduled review is November 2008. The Business Continuity Plan is being reviewed as part of a current project to review all Audit Office policies and procedures.

The Office formed an Internal Audit and Review Committee in June 2006 and 2007-08 is the first year of full operation of the Committee. During this period, the Committee convened four meetings. Details of the membership of the Committee and meetings attended by its members are provided in the following table:

**Table 3.1: Internal Audit and Review Committee**

Name	Agency	Position	No. of Meetings Held	No. of Meetings Attended
Will Laurie	External	Chair	4	4
Rod Nicholas	Auditor-General’s Office	Member	4	4
Ajay Sharma	Auditor-General’s Office	Member	4	4

To achieve its objectives, the Committee developed a two-year Internal Audit Program based on the risks identified in the Office’s Risk Management Plan. The following internal audits were completed during 2007-08 by Oakton AA Services (formerly Acumen Alliance):

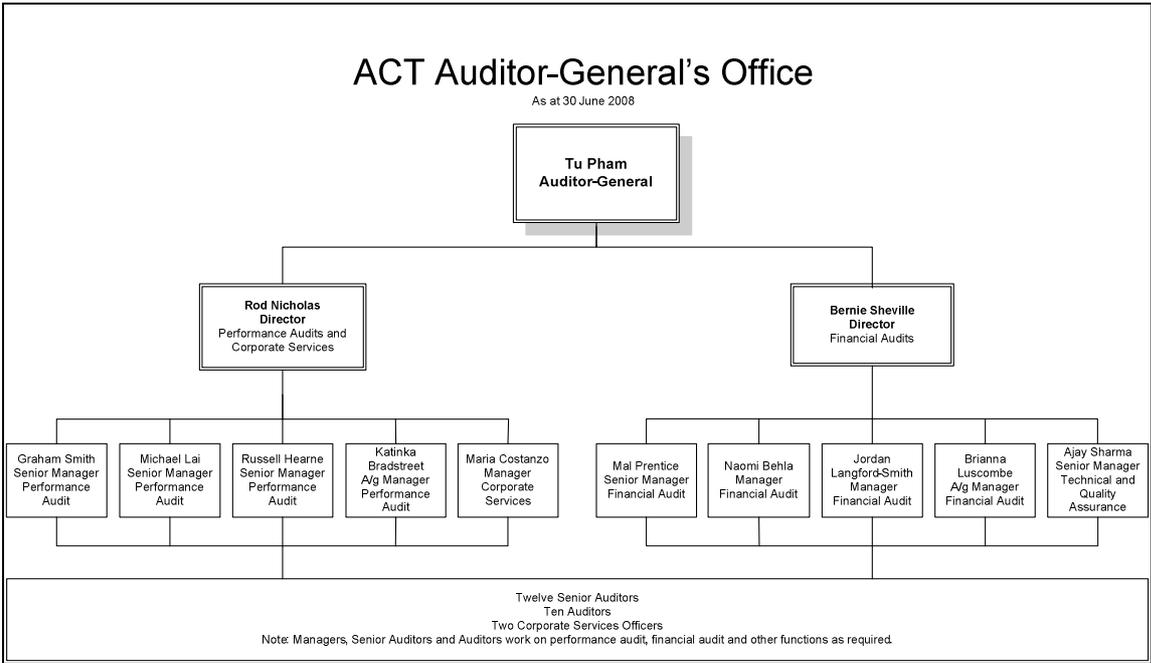
- Management of consultants; and
- Records management.

The Committee has established an audit recommendations register to monitor the implementation of the agreed recommendations from the internal audit reports. The register also includes recommendations from the Office’s own performance audit reports, and reports from Legislative Assembly Committees, which have been identified as applicable to the Office.

**INTERNAL ACCOUNTABILITY**

**Management and organisational structure**

The management and organisational structure of the Audit Office is shown below.



The management of the Office's activities was conducted primarily through regular meetings between the Auditor-General, Directors and Managers.

The Office's management groups and committees include:

### **The Executive Committee**

The Executive Committee is the senior group responsible for the governance of the Office and comprises of the Auditor-General and the two Directors. The Executive Committee meets weekly to discuss Office policies, set strategic direction, monitor the Office's overall performance, and determine strategic and operational priorities for the Office.

### **Management Committee**

The Management Committee includes the Auditor-General, Directors and Managers. This management group meets fortnightly to discuss the Office's activities, report on progress against targets and raise audit and corporate issues requiring attention. A staff representative is invited to attend the fortnightly Management Committee meetings.

### **Office Consultative Committee**

The Office Consultative Committee was established under the Auditor-General's Union Collective Agreement 2007-10. This Committee consists of the Director, Performance Audits and Corporate Services and three representatives nominated by staff. The objective of the Committee is to provide a formal forum for liaison between the Office Executive Committee and staff, particularly in relation to the development and review of organisational policies and work practices. The Consultative Committee meets at least four times during the year.

In addition to meetings of the above-mentioned groups, monthly all staff meetings were held to share information and discuss general and specific Office issues.

### **Senior executive remuneration**

The Australian Capital Territory Remuneration Tribunal determines the remuneration of senior executives (the Auditor-General and the Directors).

## **HUMAN RESOURCE PERFORMANCE**

### **Staffing profile**

There were 37 staff employed in the Office (including the Auditor-General) as at the last pay period for the financial year ended 30 June 2008 (35.4 full-time equivalent staff). The Auditor-General is appointed for a term of seven years as a full time statutory office holder

under the *Auditor-General Act 1996*. All other staff are employed under the *Public Sector Management Act 1994*.

The following tables provide further details on the staffing profile. The staffing information provided by the Shared Services Centre represents the *paid headcount* as at 25 June 2008. On 30 June 2008, three CIT students commenced a work placement with the Office for a period of five weeks. The figures below do not include these CIT students.

**Table 3.2: Staffing profile – employment classification**

Classification	Female	Male	Total
Auditor-General	1	-	1
Directors	-	2	2
Senior Managers	-	5	5
Managers	4	1	5
Senior Auditors	4	8	12
Auditors	3	7	10
Administrative Officers	2	-	2
<b>TOTAL</b>	<b>14</b>	<b>23</b>	<b>37</b>

Source: Data from pay report for Pay 26 fortnight ending 25 June 2008.

**Table 3.3: Staffing profile – employment category**

Employment Status	Female	Male	Total
Permanent Part-Time	3	1	4
Permanent Full-Time	9	17	26
Temporary Full-Time	2	4	6
Temporary Part-Time	-	-	-
Casual	-	1	1
<b>Total</b>	<b>14</b>	<b>23</b>	<b>37</b>

Source: Data from Shared Services Centre and pay report for Pay 26 fortnight ending 25 June 2008.

**Table 3.4: Staffing profile - age**

Gender	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
Female	1	6	3	2	-	1	1	-	-	-
Male	3	4	4	1	1	3	3	3	-	1
<b>Total</b>	<b>4</b>	<b>10</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>-</b>	<b>1</b>

Source: Data from Shared Services Centre and pay report for Pay 26 fortnight ending 25 June 2008.

Several of the Audit Office’s management team will reach retirement age within the next few years. This cohort has considerable experience within the Office and the public sector generally. Recruitment and performance management has regard for succession planning, but specific action is constrained by the Office’s limited resources, high staff turnover and a staff profile that shows, at 25 June 2008, that 51 percent of staff had been with the Office for less than two years.

This brings special challenges for the Audit Office, particularly in ensuring audit staff have the work experience and skills necessary to fulfil their professional role. This also highlights the importance of the Office’s investment in its learning and development program, and the need for the Office to pay attractive remuneration to recruit and retain experienced and qualified accountants and auditors.

**Table 3.5: Staffing profile – average length of service**

Gender	< 2 years	2-4 years	4-6 years	6-8 years	8-10 years	12+ years
Female	6	3	1	2	-	2
Male	13	2	3	-	1	4
<b>Total</b>	<b>19</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>6</b>
<b>Percentage</b>	<b>51%</b>	<b>14%</b>	<b>11%</b>	<b>5%</b>	<b>3%</b>	<b>16%</b>

Source: Data from the Shared Services Centre.

### Workforce planning

The Executive Committee regularly reviews and analyses the Audit Office’s HR data to develop long-term workforce planning strategies. The key issues and strategies, namely high turnover and succession planning, are discussed below.

As noted in Table 3.6 below, the Audit Office’s 2007-08 staff turnover rate was 29.7 percent, which was higher than the 2006-07 turnover of 23.7 percent and the Office’s target of 20 percent. This reflects the high demand for experienced accountants and auditors both locally and nationally.

Of the 11 staff who ceased their employment with the Audit Office in 2007-08, 7 were at the Senior Auditor and Manager level. This group has on average around three years service with the Audit Office.

**Table 3.6: Staff movements**

Staff movements	2004-05	2005-06	2006-07	2007-08
Recruitment	7	10	17	10
Attrition	6	8	9	11
Number of Staff	28	30	38	37
FTE	27.3	29.4	34.6	35.4
Turnover	21.4%	26.7%	23.7%	29.7%

Source: Audit Office's internal records.

The Audit Office has therefore explored options additional to those put in place in recent years to maintain the depth of skills and knowledge of key staff. Special employment arrangements for selected key staff and positions were considered during 2007-08 and, subject to consultation with the relevant union and staff, are expected to be implemented in 2008-09.

Succession planning is also a major focus, as the Audit Office is expecting further loss of experienced personnel in the coming years as several staff are approaching retirement. The Audit Office has created on-the-job development opportunities for senior auditors to perform the functions of managers and is recruiting experienced staff in anticipation of the departure of current staff.

### **Short-term human resource planning**

The Audit Office plans in detail the allocation of staff to audits and to other activities such as planned absences, staff training, secondments and administrative activities. Staff are required to indicate their planned activities on an on-going basis throughout the year by updating the Office's forward planning document. This plan helps the Audit Office to deliver its program of audits, and in particular to meet the high demands of the peak financial audit period, which extends from around March to October each year.

A primary issue in the Audit Office's workforce planning is also to minimise the use of external audit contractors when completing the financial audit program. Audits are outsourced to external contractors where the audit requires specialised skills such as information technology and taxation skills not available within the Audit Office.

Some audit staff will work on both financial and performance audits, and will be engaged to assist in specific corporate tasks. Outside the peak financial audit period, available staff are assigned to performance audits or major corporate projects.

### **Enhancing skills and capabilities**

The Audit Office, through its Studies Assistance Policy, has continued to support staff in obtaining and updating relevant professional qualifications from professional bodies and

academic institutions. The Policy makes provision for staff to take paid study leave and for the reimbursement of the expenses associated with study.

The Audit Office has a learning and development program which is aimed at targeting the development needs of staff, having regard to the Office's HR requirements. Further information on this program is provided below.

## **LEARNING AND DEVELOPMENT**

The Audit Office's learning and development program continues to focus on ensuring the Office has the capacity to meet its audit responsibilities including its corporate and people management goals. The program is comprehensive and is developed through consultation with staff, supervisors and management.

Consistent with the needs of a professional Office, all staff with audit responsibilities have tertiary qualifications and most are either members of a professional body (such as the Institute of Chartered Accountants in Australia or CPA Australia) or are undertaking programs of study to become eligible to join a relevant body.

Coaching of staff on audits, and technical training remain an integral part of the learning and development of staff. The program also gives attention to the development of the broader needs of staff such as report writing, leadership and supervision skills, communication and coaching skills, presentation skills, IT and IT systems auditing skills and time management.

The Audit Office encourages all staff to work towards obtaining professional status relevant to the operations of the Office. The Office provided support to two staff members to undertake a Master of Professional Accounting program, one staff member to undertake a Master of Business Administration program, one staff member to undertake an undergraduate course in Accounting and Law, and provided support to eleven staff completing professional membership programs run by CPA Australia and the Institute of Chartered Accountants in Australia. The Audit Office provides study leave and examination leave and the activities of the Office are planned so staff have access to this leave when needed.

Training provided during 2007-08 included training on the Office's financial audit methodology, performance auditing, coaching skills, sampling techniques, Government Finance Statistics and the previously mentioned Quality Control Standard (APES 320). Staff also attended various professional and business forums.

In 2007-08, expenditure on external training courses was around \$42 700. The cost of learning and development activities, including internal costs and time allowed for study leave, totalled over \$350 000. Time spent on training averaged ten days per staff member.

It is encouraging that 72 percent of staff indicated in the February 2008 staff survey that training met the needs of their current jobs and improved staff performance.

### WORKPLACE HEALTH AND SAFETY

The Audit Office's Occupational Health and Safety (OH&S) guidelines are accessible to all staff, and are provided to new staff on commencement. The guidelines encourage management and staff to take a proactive approach to their health and safety within the workplace environment through actions such as:

- communication to foster a proactive approach (e.g. the value and investment in workstation assessments for staff);
- the provision of professional rehabilitation case management services; and
- prompt and positive consideration of OH&S issues raised by staff.

Workforce and operational planning pays careful attention to the workplace commitments of staff, and monitors hours being worked by staff, particularly during peak workload periods. Planning decisions seek to share the workload amongst staff, as far as reasonably practicable, to avoid excessive periods of long hours. This planning facilitates a whole-of-Office approach to planning for leave, study, family, and other commitments, and staff are encouraged to take their leave entitlements each year.

The Office has implemented several measures to provide a safe and healthy working environment.

#### Staff representatives

A staff member has been appointed as the OH&S officer, responsible for facilitating a safe working environment. The Office has also appointed two qualified First Aid Officers and Fire Wardens who are provided with training throughout the year.

#### Workstation assessments

In November 2007, staff had their individual workstations professionally assessed. For those staff with sustained injuries or with other specific requirements, individual workstations were professionally assessed taking into account the specific medical needs of the individual.

#### Health and wellbeing initiatives

*Flu vaccinations* – the Office offered influenza vaccinations at no cost to staff.

*Coaching/Buddy system* - stress is managed through coaching and supervision of staff, and supporting staff through difficulties they may experience in their personal and professional life. The Office also has a zero tolerance policy towards workplace discrimination, harassment and bullying.

*Encouragement of healthy work practices* – to encourage staff to take regular breaks from sitting in front of the computer, the Office has provided staff with stretching equipment and posters demonstrating recommended stretching techniques.

*Flexible working arrangements* – the Office has supported applications from staff for flexible working arrangements. This is in recognition of promoting a healthy work/life balance.

*Staff survey* – the Office’s annual staff survey contains questions targeted at identifying areas for improvement. This includes areas which impact on the safety and wellbeing of staff. The results of the February 2008 survey showed that the vast majority of staff agreed that working conditions in the Office are safe and satisfactory, and that staff received good support from the Office for meeting their personal and family commitments.

There were no workplace accidents or injuries sustained by staff during 2007-08, and there were no accidents or dangerous occurrences that required the giving of notices under Section 204 of the *Occupational Health and Safety Act 1989*. No investigations were conducted during the year and there were no improvement notices, prohibition notices and notices of non-compliance given to the Office under sections 146, 155 or 212 of the OH&S Act.

## **WORKPLACE RELATIONS**

The Auditor-General’s Office Union Collective Agreement (2007-10) applies to all staff other than the Auditor-General and the Directors. The Agreement has regard for the Office’s specific working environment, while reflecting the ACT Public Sector Template Agreement.

An Office Consultative Committee, with members nominated by staff, has been established to provide a formal forum for liaison between the Office Executive and staff in the development and review of organisational policies and work practices, and for providing staff input to such policies and practices. The Committee has agreed terms of reference and has met on three occasions since it was formed.

At 30 June 2008, the Office did not have any employees that were covered by an Australian Workplace Agreement or Special Employment Arrangement.

## **STRATEGIC ASSET MANAGEMENT**

### **Assets managed**

The Audit Office’s plant and equipment assets are largely comprised of the Office’s fit-out, motor vehicles and the other equipment and furniture normally associated with a small professional Office such as computer equipment, desks and chairs etc. As shown in the Office’s financial report, the book value of these assets at 30 June 2008 was \$550 600 (30 June 2007, \$566 338).

The assets added to the Office's asset register in 2007-08 were motor vehicles. This reflects the accounting treatment for the finance leasing arrangements for Executive vehicles. There were no significant asset disposals in 2007-08.

The Office conducted stocktakes of its portable and attractive assets (mainly computer assets) to ensure these assets were properly accounted for. At 30 June 2008, a number of ergonomic computer keyboards were found not to be in working order and were written off as they were obsolete.

### Assets maintenance and upgrade

There were no major asset upgrades completed during 2007-08.

### Office accommodation

At 30 June 2008, the Office occupied 500 square metres at 11 Moore St, Canberra City and employed 37 (35.4 full-time equivalent) staff. This equates to 13.5 square metres per employee, lower than the ACT Government target of 15 square metres per employee.

## CAPITAL WORKS

### Capital works information

The Office received a capital injection of \$650 000 as part of *Appropriation Act No. 2 of 2004-05* for the fit-out of its accommodation at 11 Moore Street.

**Table 3.7: Reconciliation of financing expenditure and the financial report**

	Actual 2007-08 \$'000	Actual 2006-07 \$'000	Actual 2005-06 \$'000	Actual 2004-05 \$'000
Balance at the beginning of the reporting period	32	38	105	-
Capital injection received	-	-	-	650
Amount spent as disclosed in the Audit Office's financial report	(1)	(6)	(67)	(545)
Refund of unused capital injection for the Office fitout	13	-	-	-
Balance at the end of the reporting period	18	32	38	105

During 2007-08, \$13 151 was returned to the ACT Government representing unspent capital injection. A small amount was retained for expenditure to complete this fit-out, including work for a few items of additional joinery, and shelving.

## **GOVERNMENT CONTRACTING**

### **Procurement principles and processes**

Nearly all of the Audit Office's significant contracts are with financial audit contractors who complement the in-house audit capacity.

The selection and management of audit contractors was consistent with the *Government Procurement Act 2001* and subordinate guidelines and circulars.

In particular, prior to market testing and selection of audit contractors, the Office's procurement plans for significant contracts are reviewed and approved by an Approved Procurement Unit (i.e. Procurement Solutions) and the Procurement Board as required by the *Government Procurement (Approved Procurement Units) Guideline 2002*.

### **External sources of labour and services**

Details of the expenses incurred under contracts and of the services supplied are provided below. The expenses disclosed do not represent the total value of contracts, since the contracts often cover more than one financial year and the work performed does not necessarily coincide with the financial year.

**Table 3.8: External sources of labour and services**

<b>Firm</b>	<b>Date Contract Let</b>	<b>Financial Audits \$ Note 1</b>	<b>Other Services \$ Note 2</b>	<b>Total \$</b>
Deloitte Touche Tohmatsu	10 April 2003	35 200		35 200
KPMG	1 December 2005	615 375		615 375
WalterTurnbull	1 December 2007	15 767	4 000 (a)	19 767
PricewaterhouseCoopers	1 December 2005	778 454	2 320 (a)	780 774
Ernst & Young	1 December 2005	158 765		158 765
Cumpston Truslove	31 March 2005	25 262		25 262
Courage Partners	14 March 2008		127 000	127 000
Australian Government Solicitor	16 August 2007 15 May 2008		12 858	12 858
George Neale and Associates Pty Ltd	24 January 2008		6 840	6 840
Kelray Pty Ltd	10 December 2007		1 000	1 000
Oakton AA Services Pty Ltd	11 December 2006		14 410	14 410
Bellewarra Investments	30 June 2006		2 700	2 700
APA Management Systems Pty Ltd	14 September 2007		5 897	5 897
Riley and Riley	25 January 2008		3 225	3 225
Australian Valuation Office	18 June 2008		1 500	1 500
<b>Total</b>		<b>1 628 823</b>	<b>181 750</b>	<b>1 810 573</b>

Note 1 These firms assisted with the Audit Office's financial audit activities.

Note 2 Courage Partners has been contracted to undertake a performance audit on ACT Government agencies' compliance with the Freedom of Information legislation.

The Australian Government Solicitor, George Neale and Associates Pty Ltd and Kelray Pty Ltd provided advice in relation to Audit Reports, Collection of Fees and Fines; The FireLink Project; and Management of Calvary Hospital Agreements.

APA Management Systems Pty Ltd assisted with the development of reporting templates and provided support for the Office's time recording system.

Riley and Riley assisted with the development of the Audit Office's 2008-11 Strategic Plan.

Oakton AA Services Pty Ltd and Bellewarra Investments provided internal audit services to the Audit Office.

The Australian Valuation Office undertook the fair valuation of the Audit Office's property, plant and equipment assets.

(a) WalterTurnbull undertook an audit on the Audit Office's compliance with taxation legislation as part of a whole-of-government program of audits coordinated by the Department of Treasury. PricewaterhouseCoopers assisted with the preparation of the Office's Fringe Benefit Tax return.

## COMMUNITY GRANTS/ASSISTANCE/SPONSORSHIP

In 2007-08, the Office donated two prizes of \$250 each to the Canberra Institute of Technology (CIT), Faculty of Business and Information Technology. The prizes were awarded as follows:

Award	Award Details
Corporate Finance Reporting Prize	\$250 to the most meritorious graduating student in Corporate Finance.
Internal Control for Accounting Sponsorship	\$250 to the most meritorious student in Internal Control for Accounting.

The prizes are awarded mainly to graduating students of the Faculty of Business and IT. These prizes increase the awareness of CIT students in accounting and finance, of the employment opportunities provided by the Audit Office.

## TERRITORY RECORDS

The *Territory Records Act 2002* requires each agency to have an approved records management program. The records management program must consist of a records management policy document, records management procedures and a records disposal schedule that is approved by the Director of Territory Records. This aspect of the Act came into effect on 2 July 2003.

The Auditor-General has approved a Records Management Policy and Records Management Procedures, and these documents are available to all staff. The Director of Territory Records has approved a Records Disposal Schedule for Audit Services records; this Notifiable Instrument (NI2006-26) can be viewed on the ACT Government's legislation website (<http://www.legislation.act.gov.au/>).

In developing these documents, the Audit Office examined its activities and legal, professional, and administrative requirements, to determine which records need to be captured into record keeping systems, and how long those records need to be kept in order to satisfy operational needs and meet accountability requirements. These records management practices will ensure the Office can effectively:

- provide evidence of decisions, communications and activities;
- demonstrate that accountability requirements have been met; and
- support business activities through the creation of useable and reliable records, contributing to business efficiency and effectiveness.

In-house records management training was provided to all staff on 26 June 2008, and many have previously attended programs presented by the Territory Records Office ('Introduction to Record-Keeping' and 'Understanding and Using a Thesaurus'). New staff are introduced to record-keeping essentials as part of the Office's induction program.

Standards, guidelines and advice issued by the Territory Records Office are available to all staff.

The Audit Office's Records Management Procedures cover issues of public access to and use of records that are more than 20 years old. Although the Office does not currently hold any records of that age, the Office's Records Management Procedures will ensure that records identified for archival will be notated with an appropriate access direction to establish the terms and conditions for public access 20 years after the records are non-current. Records to be exempted from public access under the provisions set out in Section 28 of the Territory Records Act, will also be identified.

During 2007-08, the Office undertook an internal audit on records management. The audit concluded that the Office has in place a robust Records Management Program, which is outlined in its Records Management Procedures. The Procedures satisfied the requirements of the standards established by the Territory Records Office, although they had not been updated to fully reflect the requirements of a more recent standard on Digital Records. The internal audit made four recommendations to improve the effective implementation of records management procedures, which have all been agreed. The Office's records management procedures and practices are being revised to address the audit findings, and further training will be provided to staff.

## **SECTION B: CONSULTATION AND SCRUTINY REPORTING**



## COMMUNITY ENGAGEMENT

The Audit Office's major external stakeholders are the ACT Legislative Assembly and ACT public sector agencies. The Office consults with these stakeholders when formulating its audit work programs.

The Office also continuously monitors community issues via local media and Legislative Assembly proceedings. Where appropriate, the Office consults representatives of relevant interest and community groups when planning and conducting performance audits. Individuals or community groups may also initiate contact with the Office in relation to audits.

The Audit Office frequently receives representations from various sources, such as Members of the Legislative Assembly, ACT public sector agencies, public servants and the wider community, to undertake some audit activity on a variety of matters.

The information provided by way of such representations is examined to determine whether further investigation is warranted, taking into account the significance of the issues raised, the Office's available resources, and other priorities.

Although it is not possible to investigate in detail all of the matters referred to the Office, the information often provides valuable input into the planning of future audits.

## INTERNAL AND EXTERNAL SCRUTINY

The *Annual Reports (Government Agencies) Act 2004* and the *Auditor-General Act 1996* provide mechanisms for the external scrutiny of the Audit Office.

The Office provides an annual report to the Legislative Assembly and the Public Accounts Committee reviews the annual report including the Office's audited financial report.

Under the relevant provisions of the Auditor-General Act, the Treasurer selected a private sector firm, PKF Chartered Accountants and Business Advisers as the independent auditor. PKF provided an unqualified audit opinion on the Office's 2007-08 financial report and statement of performance with no significant matters being identified from the audit process.

The Office has an Internal Audit and Review Committee, that instigated a two-year Internal Audit Program. Two audits were completed during 2007-08 by Oakton AA Services (formerly Acumen Alliance).

As all performance audits are tabled in the ACT Legislative Assembly and are publicly available, the Office's work is subject to external scrutiny by the media and general

community. All tabled performance audit reports were also referred to the Public Accounts Committee for possible further inquiry.

During 2007-08, a sample of financial audits completed by the Office was reviewed by the Tasmanian Audit Office. Likewise, the Office conducted a review of selected work done by the Tasmanian Office. The benefit of this peer review is that it provides an independent appraisal of the quality of the Office's audit work.

### **LEGISLATIVE ASSEMBLY COMMITTEE INQUIRIES AND REPORTS**

There were no Legislative Assembly Committee inquiries directed specifically at the operations of the Audit Office during 2007-08.

All reports of the Auditor-General that have been presented to the Legislative Assembly are referred to the Standing Committee on Public Accounts (the PAC). The PAC examines all reports or any circumstances connected to them, and may hold a public inquiry into any Auditor-General report and report on its inquiries to the Legislative Assembly. The Office offers a briefing to the PAC on all Auditor-General reports, and gives evidence to a public inquiry at the request of the PAC.

During 2007-08, the PAC completed its inquiry into the Auditor-General's Report No. 8 of 2004: Waiting lists for Elective Surgery and Medical Treatment.

The following inquiries regarding Auditor-General reports were commenced by the PAC during or prior to 2007-08, but still were in progress as at 30 June 2008:

- Review of Auditor-General's Report No. 4 of 2005: Courts Administration;
- Review of Auditor-General's Report No. 1 of 2006: Regulation of Charitable Collections and Incorporated Associations;
- Review of Auditor-General's Report No. 5 of 2006: Rhodium Asset Solutions Ltd; and
- Review of Auditor-General's Report No. 4 of 2007: Regulation of ACT Liquor Licences.

## LEGISLATIVE REPORT

The legislation that has the greatest impact on the Office is the *Auditor-General Act 1996*. Other relevant legislation includes the *Financial Management Act 1996*, *Territory-owned Corporations Act 1990*, *Public Interest Disclosure Act 1994* and *Government Procurement Act 2001*.

Relevant legislation is discussed on pages 5 to 7.



**SECTION C: LEGISLATIVE AND  
POLICY BASED REPORTING**



## **PUBLIC INTEREST DISCLOSURES**

### **Proper authority**

The Auditor-General is a proper authority to receive public interest disclosures under the *Public Interest Disclosure Act 1994* (the PID Act).

### **Procedures**

The Audit Office has procedures for receiving and handling public interest disclosures. The Office's procedures:

- provide background information on the objectives of the PID Act;
- explain the requirements imposed on agencies in relation to the receipt and investigation of PIDs and the investigation process, including the need for the investigation process to be fair, flexible, speedy and as informal as possible;
- provide for the handling of disclosures by suitably experienced officers. The Auditor-General and the Director, Performance Audit and Corporate Services are the contact officers for providing information and assistance to those wishing to make a disclosure under the PID Act;
- emphasise the importance of treating all parties involved in any disclosure fairly and impartially and ensuring that the confidentiality and security of information is protected; and
- include a public interest disclosure model – a flowchart of the typical key steps involved in handling any public interest disclosure.

**Table 3.9: Statistics relating to the reporting year**

Disclosure Requirement	Details
The number of disclosures received.	One
Type of disclosures under Section 4(2) of the PID Act.	The disclosure alleged conduct that could, if substantiated, amount to 'disclosable conduct' under Section 4(2)(a) of the PID Act.
The number of disclosures referred by other agencies.	Nil
The number of public interest disclosures investigated.	Two 1. Relevant aspects of a disclosure referred to the Auditor-General by the Ombudsman in 2006-07 were investigated as a performance audit under the provisions of the <i>Auditor-General Act 1996</i> . 2. A disclosure received by the Auditor-General during 2007-08 was also investigated as a performance audit under the provisions of the <i>Auditor-General Act 1996</i> .
The number of disclosures referred to other government agencies for investigation.	Nil
The number of disclosures on which the Office has declined to act under Section 17 of the PID Act.	Nil
The number of disclosures substantiated by investigation.	The performance audits that addressed issues raised in disclosures highlighted some aspects of unsatisfactory administration and management of the relevant government activities, but did not substantiate activities that were considered disclosable conduct as defined by the PID Act.

**Details on remedial action on each substantiated disclosure**

As noted above, the two public interest disclosures investigated during 2007-08 were addressed through the conduct of performance audits under the provisions of the *Auditor-General Act 1996*. Issues raised in the disclosures were specifically considered in planning the audits, and the audit objective, criteria and testing procedures were designed to have regard for the disclosures.

The decision to consider the disclosures under the provisions of the Auditor-General Act reflected the view of the Auditor-General that the issues raised suggested poor administrative practice or mismanagement, rather than dishonest or imprudent conduct that would be a 'disclosable conduct' under the PID Act, or constitute a criminal or disciplinary offence or conduct that could lead to the dismissal of the public servant who engaged in it. As such, a performance audit would offer the best means to consider the issues because it would result in a public report that provides the Legislative Assembly with an independent assessment of the quality of management of the relevant public resources. Further, the

audit report is automatically referred to the Legislative Assembly's Standing Committee on Public Accounts, and may be subject to a further public inquiry by the Committee.

In the two disclosures investigated, the audits substantiated a number of concerns regarding unsatisfactory administration and management. The audit reports identified a range of matters where improvement was required and made several recommendations including better management practices to address the audit findings. The relevant agencies have agreed with the recommendations, and in some instances took action during the audit to address issues raised.

The Audit Office will follow the progress of implementation of these recommendations, including through further audit activity should that be necessary.

### **Other representations**

The Audit Office received 13 representations in 2007-08 from various persons (members of the Legislative Assembly and members of the public) requesting the Auditor-General to undertake some audit activity or investigation on a variety of matters. Such representations do not meet the definition of public interest disclosure within Section 3 of the *Public Interest Disclosure Act 1994*. Rather, they tend to reflect areas of interest or concern to the individual, and are considered by the Auditor-General under the provisions of the *Auditor-General Act 1996*.

The Audit Office examines the information provided in relation to the representation to determine whether further investigation is warranted. Often, additional information is obtained from the relevant government agency to assist in making any decision on the matter. In some cases, the correspondent is encouraged, in the first instance, to refer the matter directly to the responsible agency.

It is not possible to investigate in detail many of the matters referred to the Auditor-General, given the limited resources of the Office. In deciding whether a representation should be followed-up with an audit or a special investigation, the Office takes into consideration a number of factors, including the extent of financial risks and impacts, and the potential wider implications for public administration and the delivery of government services. Any new potential audit topic needs to be viewed in terms of its relative priority with respect to other audit activities of the Office.

The information provided through representations to the Auditor-General is further considered in the context of planning future audits.

### **Details of remedial action taken on Ombudsman recommendations**

The ACT Ombudsman made no recommendations regarding the Audit Office.

### FREEDOM OF INFORMATION

The *Freedom of Information Act 1989* (the FoI Act) provides people with a legally enforceable right of access to information in the possession of the ACT Government. The object of the FoI Act is to encourage the prompt release and disclosure of information.

The Auditor-General Act contains specific provisions aimed at protecting the integrity of an audit or investigation by the Auditor-General (Sections 33-36). Under these provisions, it is an offence for a person exercising, or who has exercised, a function of the Auditor-General to disclose protected information to someone else. Any documents obtained in reviewing matters relevant to an audit or investigation are, for the purposes of the Auditor-General Act, protected information.

Section 38 of the FoI Act provides for an exemption from access to documents to which secrecy provisions of enactments apply, and in the case of this Office, protected information under the Auditor-General Act would be generally exempt from production under the FoI Act.

#### Publication of documents and information (Section 7 Statement)

##### *Participation in the work of the Audit Office by members of the public*

The usual method used by members of the public to participate in the work of the Audit Office is through making of representations directly to the Office or by making representations to their elected representatives in the Legislative Assembly who may, in turn, decide to make representations to the Office. For most performance audits, the Office will directly consult selected stakeholders, to obtain their views of activities under audit, and suggestions for improvement.

##### *Categories of documents in the possession of the Audit Office*

The Audit Office holds the following categories of documents:

*Documents freely available on request and without charge.* Documents in this category include audit reports produced by the Office. These documents are available from the Office's website (<http://www.audit.act.gov.au>) or on request from the Office, and are also available from libraries throughout the Territory.

*Other kinds of documents that may be available under the FoI Act.* A wide range of documents, held in the Office, may be available under the Act. These documents may include general administrative files including internal, interagency and public documents, minutes of meetings of management and other committees, agendas and background papers, policies in connection with Office administrative functions, photographs, financial and accounting records, leases and deeds of agreement.

The Audit Office provides facilities enabling members of the public to obtain physical access to the documents.

Those seeking information should seek access by contacting the Audit Office before resorting to a formal FoI application. In many cases, access to information can be gained more efficiently through such an approach.

*Documents obtained in the exercise of a function of the Auditor-General Act 1996.* These documents cannot be disclosed under Section 34(1) of the *Auditor-General Act 1996* and include all internal working papers, documents and materials relating to audits of government agencies as well as other reviews and investigations.

Any enquiries concerning FoI matters should be addressed to the Audit Office's FoI Coordinator:

Mr Rod Nicholas  
Freedom of Information Coordinator  
ACT Auditor-General's Office  
Level 4, 11 Moore Street, Canberra City ACT 2601  
Phone 6207 0833; Fax 6207 0826

### **Certain documents available for inspection and purchase (Section 8 Statement)**

Section 8 of the FoI Act requires the Audit Office to prepare and make available each year, a statement (which may be an index) of the documents that are provided by the Office for the purposes of an enactment or scheme administered by the Office.

The Audit Office's 'Section 8 Statement' is included in an Office document titled '*Freedom of Information Act 1989 Section 7 and Section 8 Statements*'. The Section 8 statement may be obtained by contacting the Office's FoI Coordinator.

### **Report on the operation of the Freedom of Information Act 1989 (Section 79 Statement)**

The Audit Office received no FoI request to access documents during 2007-08.

The Office received a request from a Commonwealth agency who sought the Audit Office's views on whether five documents originating from this Office but in the possession of the Commonwealth agency should be released under the Commonwealth FoI Act. The Office advised the Commonwealth agency that the Audit Office had no objection to the release of four of the documents, but that the fifth should not be released on the grounds that (as provided under Section 33A(1)(b) of the Commonwealth FoI Act) disclosure would divulge information or matter communicated in confidence by or on behalf of the Government of a State or an authority of a State, to the Commonwealth Government.

No applications were received for the review of decisions under section 59 of the FoI Act.

The Office did not collect any fees in relation to the processing of requests.

There were no applications for the amendment of records under Section 48 of the FoI Act.

## HUMAN RIGHTS ACT

The Government introduced the *Human Rights Act 2004* as the first bill of rights in Australia. The Audit Office's operating practices and policies are consistent with the aims of the Act and the Office has ensured that human rights principles are integrated into its operations.

Examples of how the Audit Office has achieved this are as follows:

- The Audit Office ensures procedural fairness is maintained and natural justice is afforded to those affected by the reporting of audit findings and recommendations. Those affected by these reports are provided with the opportunity to provide comments on the reports and these comments are carefully considered before reports are finalised.
- The Audit Office is a proper authority for the receipt of disclosures under the *Public Interest Disclosure Act 1994*. Disclosures received by the Office may identify human rights concerns. Details of the Office's procedures for handling these disclosures and statistical information on disclosures made to the Office in 2007-08 are provided in Section C: Public Interest Disclosures.
- Management has promoted an organisational culture that is inclusive, respectful and responsive to staff and auditees. Staff and audit team meetings are held regularly to provide the opportunity for staff to raise any issues or concerns regarding the operations of the Office including human rights matters. Staff may also raise concerns directly with the Auditor-General or other senior executives, or with a staff representative, or may provide information and suggestions through the Office's annual staff survey, or anonymously. Management responds openly to all staff suggestions and concerns.
- The 'Auditor-General's Office Union Collective Agreement 2007-10' incorporates ACT public sector wide conditions of employment. These Agreements promote diversity in the workplace, require prompt responses to any discrimination or harassment, and provide personal, maternity, bereavement and other leave that recognises the broad cultural and other needs of staff. The Agreements recognise the need to balance work and life responsibilities and provide a safe and healthy working environment.
- The Office has 'Equity and Diversity Guidelines' in place and a 'Workplace Discrimination, Harassment and Bullying' policy to support a diverse and non discriminatory workplace where different cultures and talents of staff are recognised and valued.

## COMMISSIONER FOR THE ENVIRONMENT REPORTING

The Commissioner for the Environment Office did not request information from the Office in the preparation of the 'State of the Environment Report', nor carry out any investigation of the Office's operations during 2007-08.

## ECOLOGICALLY SUSTAINABLE DEVELOPMENT

The *Environment Protection Act 1997* requires the Audit Office to report on how its operations accorded with and contributed to the principles of ecologically sustainable development.

The work of the Audit Office is administrative in nature. In the performance of its work, the Office contributes to the principles of ecologically sustainable development by:

- minimising the number of hardcopy publications of audit reports. Reports are distributed electronically where practical, and can be accessed on the Office's website;
- maximising the use of electronic work papers, messaging and on-line technical and information services;
- recycling paper and using equipment with electricity saving features where possible. Staff are encouraged to recycle plastic, glass, paper, and toner; recycling bins are provided for this purpose; and
- providing office-based staff with energy efficient, low radiation emitting liquid crystal display (LCD) monitors.

## Transport

At 30 June 2008, the Audit Office had three executive vehicles available for use for official purposes. Office staff regularly use these cars to visit audited agencies. During 2007-08, the vehicles travelled around 67 000 kilometres, and used 7 561 litres of fuel. This is a slight decrease compared to fuel used in 2006-07. The vehicles produced approximately 18.1 tonnes of CO<sub>2</sub> equivalent compared to 18.8 tonnes in 2006-07.

**Table 3.10: Vehicle use - 2007-08**

	2006-07	2007-08
Kilometres driven	70 501	66 790
Fuel used (litres)	7 842	7 561
Average fuel consumption (l/100 km)	11.12	10.9
CO <sub>2</sub> e (Tonnes) <sup>(1)</sup>	18.8	18.1

Notes: (1) CO<sub>2</sub>e is calculated based on 2.4kg of emissions per litre of petrol consumed. Actual emissions will vary according to driving conditions.

Source: Rhodium Asset Solutions (the Audit Office's Fleet Manager).

### Consumption of other resources

The Audit Office shares its current premises at 11 Moore Street with other ACT Government agencies, and leases about half a floor of the eight-floor building. The accommodation offers several energy reduction measures, including more efficient heating and cooling systems, and sensor-activated lighting. Practically, however, the Office is limited in the measures it can take to minimise energy consumption.

**Table 3.11: Consumption of resources 2006-07 to 2007-08**

Resources	2006-07	2007-08
Total electricity use (KW hours)	47 779 <sup>(1)</sup>	64 559 <sup>(2)</sup>
Electricity use per employee (KW hours)	1 257	1 745
Renewable electricity purchased	4 896	6 126
Total gas use (MJ)	Not available	Not available
Total water consumed	Not available	Not available
Waste paper recycled (240L containers)	42	66
Paper usage (reams)	489	459
▪ Reams per FTE	14	13

Notes: (1) Reliable data on gas, water and waste are not available as these are landlord costs, and are not separately billed to the Audit Office.  
(2) Of the 64 559kwh consumed during the 2007-08 year, 6 126kwh was green (renewable) energy.

Source: Department of Territory and Municipal Services, Property Group and Audit Office internal records.

The consumption of paper within the Audit Office has decreased from 14 reams of paper per full-time equivalent staff (FTE) in 2006-07 to 13 reams per FTE in 2007-08. This result is most likely due to the replacement of office equipment with more efficient multi-function devices and economical printers, which readily and automatically produce duplex and multi-page printing. It also reflects the Office's preference to scan and email documents rather than photocopy and fax documents. This is reinforced throughout the Office by encouraging staff to change work practices by minimising printing of unnecessary drafts of documents.

## APPENDIX A AVAILABILITY OF REPORTS

---

Audit Reports published in the last three years are listed below.

### Reports Published in 2007-08

Report No. 3 / 2008	Records Management in ACT Government Agencies
Report No. 2 / 2008	Management of Calvary Hospital Agreements
Report No. 1 / 2008	Chris21 Human Resource Management System: Procurement and Implementation
Report No. 8 / 2007	2006-07 Financial Audits
Report No. 7 / 2007	The Aged Care Assessment Program and the Home and Community Care Program
Report No. 6 / 2007	Annual Report 2006-07
Report No. 5 / 2007	The FireLink Project

### Reports Published in 2006-07

Report No. 4 / 2007	Regulation of ACT Liquor Licences
Report No. 3 / 2007	Collection of Fees and Fines
Report No. 2 / 2007	Agency Implementation of Audit Recommendations
Report No. 1 / 2007	Credit Card Use, Hospitality and Sponsorship
Report No. 9 / 2006	Sale of Block 8, Section 48, Fyshwick
Report No. 8 / 2006	2005-06 Financial Audits
Report No. 7 / 2006	Annual Report 2005-2006
Report No. 6 / 2006	Vocational Education and Training
Report No. 5 / 2006	Rhodium Asset Solutions Limited

### Reports Published in 2005-06

Report No. 4 / 2006	Road Safety
Report No. 3 / 2006	Management of Trust Moneys and Other Non-Public Moneys
Report No. 2 / 2006	Public Housing
Report No. 1 / 2006	Regulation of Charitable Collections and Incorporated Associations
Report No. 7 / 2005	2004-05 Financial Audits
Report No. 6 / 2005	Government Procurement
Report No. 5 / 2005	Annual Management Report for the Year Ended 30 June 2005
Report No. 4 / 2005	Courts Administration
Report No. 3 / 2005	Reporting on Ecologically Sustainable Development



## APPENDIX C COMPLIANCE INDEX FOR THE 2007-08 REPORT

	Contents	Page No.
SECTION A	PERFORMANCE & FINANCIAL MANAGEMENT REPORTING	
	The organisation	3
	Overview	5
	Highlights	7
	Outlook	8
	Office performance	11
	Analysis of performance	11
	Management discussion & analysis	22
	Financial report	28
	Independent audit report	30
	Statement of performance	78
	Strategic indicators	Not Applicable <sup>1</sup>
	Report of factual findings	80
	Management of the Office	97
	Fraud prevention	97
	Risk management and internal audit	97
	Internal accountability	98
	HR performance	99
	Staffing profile	99
	Learning and development	103
	Workplace health and safety	104
	Workplace relations	105
	Strategic asset management	105
Capital works	106	
Government contracting	107	
Community grants/assistance/sponsorships	109	
Territory records	109	
SECTION B	CONSULTATION & SCRUTINY REPORTING	
	Community engagement	113
	Internal and external scrutiny	113

	<b>Contents</b>	<b>Page No.</b>
	Legislative Assembly Committee inquiries and reports	114
	Legislative report	115
SECTION C	<b>LEGISLATIVE AND POLICY BASED REPORTING</b>	
	Strategic Bushfire Management Plan	Not Applicable <sup>2</sup>
	Public interest disclosure	119
	Freedom of information	122
	Human Rights Act	124
	Commissioner for the Environment	125
	ACT Multicultural Strategy 2006-09	Not Applicable <sup>2</sup>
	Aboriginal and Torres Strait Islander	Not Applicable <sup>2</sup>
	Ecologically sustainable development	125
	ACT women's plan	Not Applicable <sup>2</sup>
Appendix A	Availability of reports	127
Appendix B	Contact information	128
Appendix C	Compliance index	129

Note 1: The Office did not publish specific strategic indicators. However, its strategic direction was taken into account in determining the performance indicators included in the Statement of Performance.

Note 2: Due to the nature of the Audit work, the Office does not provide services to the ACT community that meet the specific Government objectives under the Strategic Bushfire Management Plan; ACT Multicultural Strategy 2006-09; Aboriginal and Torres Strait Islander and ACT Women's Plan.

## ALPHABETICAL INDEX

---

### *A*

Analysis of performance	11
Auditor-General's review	1

---

### *B*

Balance sheet	33
---------------	----

---

### *C*

Capital works	106
Cash flow statement	35
Commissioner for the Environment reporting	126
Community engagement	114
Community grants/assistance/sponsorship	109
Compliance index	131

---

### *E*

Ecologically sustainable development	126
--------------------------------------	-----

---

### *F*

Financial audit activities	16
Financial audit fees	92
Financial audits completed in 2007-08	89
Financial report	28
Fraud prevention	97
Freedom of information	123

---

### *G*

Government contracting	107
------------------------	-----

---

### *H*

Highlights	7
Human resource performance	99
Human Rights Act	125

---

### *I*

Independent audit report	30
Internal accountability	98
Internal and external scrutiny	114

---

### *L*

Learning and development	103
Legislation	5
Legislative Assembly Committee inquiries and reports	115

---

### *M*

Management Discussion and Analysis	22
Management of the Audit Office	97
Mission of the Audit Office	3

---

### *O*

Operating statement	32
Outlook	8
Overview	5

---

### *P*

Performance audit activities	11
Performance measures	18
Public interest disclosures	120

---

### *R*

Report of factual findings	80
Risk management and internal audit	97

---

### *S*

Statement of appropriation	38
Statement of changes in equity	34
Statement of performance	78
Strategic and organisational planning	5
Strategic asset management	105

---

### *T*

Territory records	109
-------------------	-----

---

### *V*

Values of the Audit Office	4
----------------------------	---

---

### *W*

Workplace health and safety	104
Workplace relations	105

## **AVAILABILITY OF REPORTS**

Copies of reports issued by the ACT Auditor-General's Office are available from:  
ACT Auditor-General's Office  
Level 4, 11 Moore Street  
Canberra City ACT 2601

or

PO Box 275  
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of reports are also available from the  
ACT Auditor-General's Office Homepage: <http://www.audit.act.gov.au>