

ACT AUDITOR-GENERAL'S REPORT

ANNUAL REPORT 2021-22

REPORT NO. 6 / 2022

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ACT Audit Office

The roles and responsibilities of the Auditor-General are set out in the *Auditor-General Act 1996*.

The Auditor-General is an Officer of the ACT Legislative Assembly.

The ACT Audit Office undertakes audits on financial statements of Government agencies, and the Territory's consolidated financial statements.

The Office also conducts performance audits, to examine whether a Government agency is carrying out its activities effectively and efficiently and in compliance with relevant legislation.

The Office acts independently of the Government and reports the results of its audits directly to the ACT Legislative Assembly.

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Produced for the Office of the ACT Legislative Assembly by the ACT Audit Office, ACT Government.

ACT Government Homepage address is: <http://www.act.gov.au>

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LIST OF ABBREVIATIONS AND GLOSSARY

ACAG	Australasian Council of Auditors-General
A-G Act	<i>Auditor-General Act 1996</i>
ACT	<i>Australian Capital Territory</i>
ASE	Agency Security Executive
ASPIRE	Auditing Systems by Planning, Implementation, Reporting and Evaluation
Audit Office	ACT Audit Office
Auditees	ACT Government agencies and other entities subject to audit by the Auditor-General
CO ₂ -e	Carbon dioxide equivalent
CA	Chartered Accountants Australia and New Zealand
CPA	CPA Australia
CPSU	Community and Public Sector Union
ESD	Ecologically sustainable development
ESP	Enterprise sustainability platform
FA	Financial Audit
FTE	Full-time equivalent(s)
FOI	Freedom of Information
FOI Act 2016	<i>Freedom of Information Act 2016</i>
GST	Goods and services tax
HR	Human Resources
IT	Information Technology
Kwh	Kilowatt-hour
ACT Legislative Assembly	Legislative Assembly for the ACT
MLAs	Members of the ACT Legislative Assembly
PA	Performance Audit
PAC	Standing Committee on Public Accounts
PAMPr	Performance Audit Methods and Practices
SERBIR	Senior Executive Responsible for Business Integrity Risk
Strategic Plan	<i>Strategic Plan 2019-2022</i> of the ACT Audit Office

A TRANSMITTAL CERTIFICATE



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

Mrs Joy Burch MLA
Speaker
Legislative Assembly for the ACT
London Circuit
CANBERRA ACT 2601

Dear Madam Speaker

I have pleasure in submitting the 2021-22 Annual Report of the ACT Audit Office (Audit Office). The Annual Report has been prepared to fulfil the requirements of section 7A of the *Annual Reports (Government Agencies) Act 2004*. While paragraph 8(2)(b) of the Act advises that an annual report direction does not apply to Officers of the ACT Legislative Assembly, this report has been prepared to respect the directions outlined in the *Annual Reports (Government Agencies) Directions 2022*.

I certify that the information in the attached 2021-22 Annual Report, and information for whole of government reporting, is an honest and accurate account of the management of the Audit Office and that all material information on the operations of the Audit Office has been included for the period from 1 July 2021 to 30 June 2022.

I also hereby certify that fraud prevention in 2021-22 was managed in accordance with *Public Sector Management Standards 2006 (repealed)*, Part 2.3 (see section 113, *Public Sector Management Standards 2016*).

Section 15 of the *Annual Reports (Government Agencies) Act 2004* requires that you present a copy of the Annual Report to the ACT Legislative Assembly within 15 weeks after the end of the reporting year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. L. Yarrin', with a horizontal line underneath.

Auditor-General
12 October 2022

The ACT Audit Office acknowledges the traditional custodians of the Canberra region. The Office wishes to acknowledge and respect their continuing culture and the contribution they make to the life of this city and this region.

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B ORGANISATIONAL OVERVIEW AND PERFORMANCE

B.1 Organisational overview

The *Auditor-General Act 1996* (A-G Act) governs the functions and powers of the Auditor-General. It also establishes that the Auditor-General is an independent Officer of the ACT Legislative Assembly. While this emphasises the important connection with the ACT Legislative Assembly, the Auditor-General is an independent statutory position with complete discretion in how functions are undertaken.

The Auditor-General conducts independent financial and performance audits on ACT Government agencies and those entities in receipt of ACT Government funding or resources. The results of these audits are reported to the ACT Legislative Assembly and ACT community. Audits are, therefore, an important means of holding agencies and entities to account and encouraging them to continuously improve their activities.

Additionally, the Auditor-General receives representations from the public, with some issues raised being examined through performance audits.

The ACT Audit Office (Audit Office) supports the Auditor-General in performing his functions.

B.1.1 Vision, role and values

The Audit Office's *Strategic Plan 2019-2022* (Strategic Plan) sets out the vision, role, and values of the Audit Office and defines its objectives. It is available on the Audit Office's website (www.audit.act.gov.au).

The vision is 'an accountable and highly performing ACT Public Sector' and the Audit Office's role is to:

- provide an independent view to the ACT Legislative Assembly and the community on the accountability, efficiency and effectiveness of the ACT Public Sector;
- foster accountability in the public administration of the Territory; and
- promote the efficiency and effectiveness of public services and programs provided by the Territory.

B.1.1.1 Values

The values which guide the Audit Office's work and the behaviour of its staff are:

- *independence* – impartial and evidence-based reporting is our most powerful influence;
- *integrity* – we are honest, truthful and fair;
- *professionalism* – we fulfil our obligations;
- *respect* – we seek to understand and be trusted by our stakeholders; and
- *learning and innovation* – we strive to realise our full potential.

These values align with those of the ACT Public Service; a difference arises due to the Audit Office's core value of *independence* which takes precedence over the ACT Public Service value of *collaboration*. While the Audit Office uses collaborative approaches in undertaking its work, attention is given to doing this within the context of the Audit Office's independence.

B.1.1.2 Independence

The independence of the Auditor-General and the quality and objectivity of the Audit Office's work form the foundation of the Audit Office's standing and reputation.

Provisions in the A-G Act support the Auditor-General to undertake financial and performance audits independent of the agency or entity being audited. The A-G Act mandates that the Auditor-General is not subject to direction in the exercise of the Auditor-General's functions. A similar provision applies to Audit Office staff who are not subject to direction from anyone other than the Auditor-General or another member of the Audit Office authorised by the Auditor-General.

While having legislation that enshrines independence is important, so are the professional auditing standards that require auditors' attestations of independence, adopted by the Audit Office. Also of importance is the commitment by staff to an independent spirit in the conduct and reporting of audits. This ability is tested at recruitment and re-enforced by ongoing professional development activities supported by the Office's learning and development program. Importantly, the values of the Audit Office are fostered in all activities staff undertake.

B.1.1.3 Integrity

Integrity, honesty, truthfulness and fairness are achieved primarily through the quality of the people we recruit and are emphasised through ongoing professional development activities and regular internal communication.

Integrity is routinely examined through the Audit Office's strong quality assurance and quality control processes for financial and performance audits and is considered an important aspect of the governance arrangements for the Audit Office. There is also a program of internal audits, overseen by the Audit and Review Committee, which assists in strengthening the governance of the Audit Office. The Committee's membership includes two independent external members in addition to an internal senior officer. One of these external members is appointed as the Chair of the Committee.

In addition to the above, the Audit Office places continuing emphasis on risk management (covered in Section B.4.1 'Risk management'). One of the key risks in this area is the quality of audits. To address this risk, the Audit Office routinely undertakes a self-assessment against the requirements of the quality control standards issued by the Accounting Professional and Ethical Standards Board and the Auditing and Assurance Standards Board.

The Audit Office conducts quality assurance reviews of its financial and performance audit work every year in accordance with its *Quality Control and Assurance Policy*. The quality assurance work relating to performance audits and financial audits are discussed under Section B.2.8 'Monitoring and improving the quality of performance audit work' and Section B.2.13 'Improving the quality of financial audit work'.

B.1.1.4 Professionalism

Professionalism includes a commitment for staff to fulfil obligations. Importantly, this involves the completion of an annual program of financial and performance audits. Information on the progress of the program is provided in Section B.2 'Performance analysis'.

A part of the Office's value of professionalism is to seek to deliver services despite any adverse events; therefore, risk management is important. For the Audit Office, a key risk arises from its small size which contributes to significant key person dependencies.

The Auditor-General is a member of the Australasian Council of Auditors-General (ACAG), which is a forum for all Auditors-General in Australia and some from the Pacific region, to share information. It fosters performance improvement through supporting targeted projects, such as mutual quality assurance reviews and benchmarking.

There are ACAG sub-committees which focus on financial audits; performance audits; financial reporting and accounting; and quality assurance and auditing. Sub-committees provide opportunities for executives and senior audit staff to share information and work together on key issues relevant to audit offices. The Auditor-General completed an appointment as the Chair of the ACAG Executive Committee during 2021-22.

B.1.1.5 Respect

This value reflects the Audit Office's concerted effort to strengthen the trust and respect of stakeholders through effective engagement.

The Audit Office serves the community through the elected representatives in the ACT Legislative Assembly to whom it reports. Each year, there are many interactions with Members of the ACT Legislative Assembly (MLAs). MLAs can provide their feedback to the Auditor-General at any time.

Engagement with the Speaker of the ACT Legislative Assembly and members of the Standing Committee on Public Accounts (PAC) occurs more frequently, given their respective roles.

Another way in which the Audit Office shows respect for the community is in the development of the annual performance audit program. Information received from representations, key community groups, the PAC, MLAs, the Head of Service and ACT Government directorates and other entities is considered.

Building confidence in the work of the Audit Office is also achieved through consultation at key stages of an audit and by seeking and responding to feedback provided by auditees. The Audit Office builds its understanding of the operations of agencies by routinely attending agencies' internal audit committee meetings. Attendance at these meetings improves communication with agencies and informs the Audit Office of emerging issues.

A financial audit reporting webinar was conducted by the Audit Office for auditees in 2021-22 on 23 March 2022 and was positively received by a wide range of attendees. Additionally, briefings are provided to auditees routinely as part of audit planning processes and when requested.

Auditees' perceptions of audits are routinely collected through surveys of audited agencies and detailed information is included in the reporting on the Audit Office's Statement of Performance. In brief, all respondents thought financial audits and performance audits were conducted satisfactorily and in a professional manner.

The 2022 Audit Office Staff Survey reported that 85 percent of staff find their work satisfying. The staff survey is an important tool to identify areas of continuous improvement for the Office.

B.1.1.6 Learning and innovation

As discussed in Section B.11.6 'Learning and development', the Audit Office continued to give a high priority to improving staff capabilities. Under the Office's learning and development program, staff are provided with training covering diverse topics including requirements of the auditing and accounting standards and opportunities to pursue individual training needs identified in discussion with supervisors.

The Office has a Digital Committee, an Accommodation Committee (operating until March 2022 when the Office moved to its new accommodation) and a Social Committee. Each committee is chaired by a senior staff member, has terms of reference and comprises staff from the different operational areas of the Office. These committees report directly to the Audit Office's Executive Committee and are tasked with developing strategic ideas to inform the development of the Audit Office's ongoing plans and implementation for digital, accommodation and social initiatives for staff. The committees provide an active and on-going learning and development opportunity for staff to participate in strategic decision-making to enhance and continually improve the Audit Office work environment. More information about these committees is available at Table B-1.

The Audit Office continued to support staff studying for tertiary and professional qualifications including covering the costs of up to two professional memberships for staff.

Staff undertaking the CPA and CA programs have continued to benefit from the Audit Office's accreditation as CPA Australia's Recognised Employer Partner (since 2016) and Chartered Accountants Australia and New Zealand's Recognised Training Employer (since 2017).

B.1.2 Organisation

The Audit Office consists of the following operational areas:

- Financial Audit;
- Performance Audit; and
- Professional Services.

Figure B.1 shows the organisational structure of the Audit Office as of 30 June 2022.

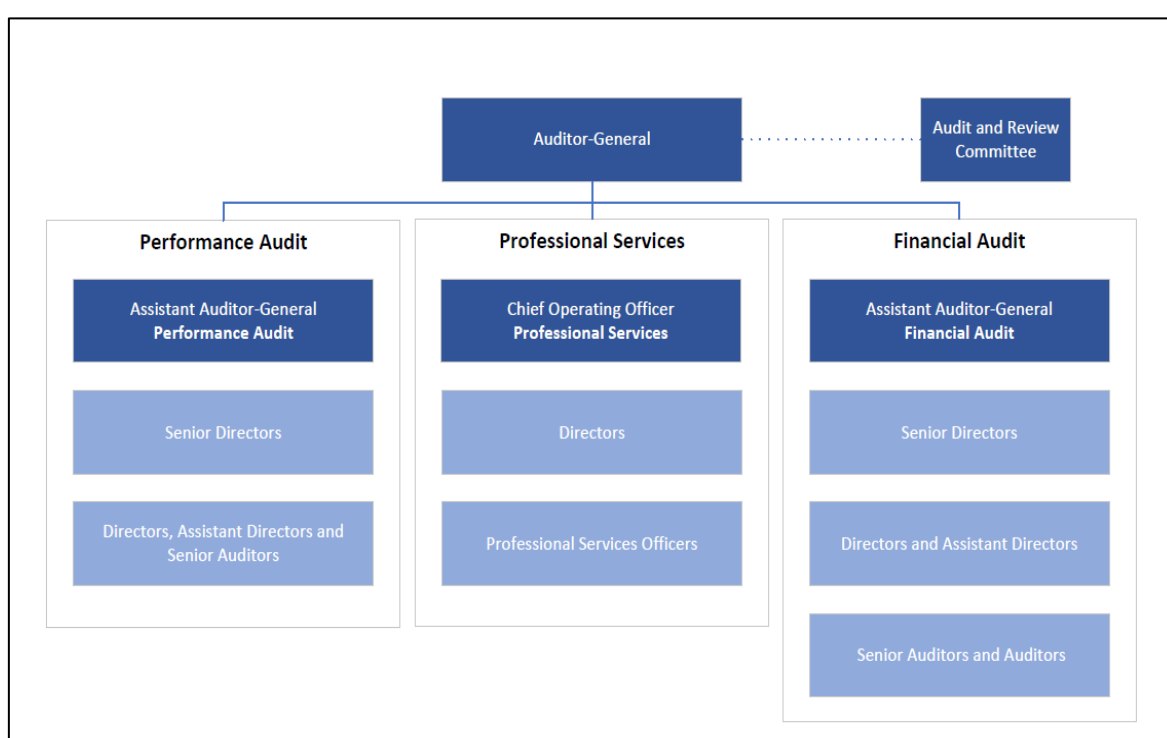
The Audit Office's Senior Executives in 2021-22 were:

- Mr Michael Harris, Auditor-General;
- Mr Ajay Sharma, Assistant Auditor-General, Financial Audit;

- Mr Brett Stanton, Assistant Auditor-General, Performance Audit;
- Ms Caroline Smith, Chief Operating Officer, Professional Services (Ms Smith returned from leave on 18 September 2021); and
- Ms Erika Hudleston acted in the position of Chief Operating Officer from 1 July 2021 to 17 September 2021.

Further information on these, and other key management personnel, is provided in Section B.1.4.1 'Executive Committee'; and in Note 11: 'Related Parties' in Section C.2 'Financial statements'.

Figure B.1: Organisational structure



B.1.3 Performance and outlook

B.1.3.1 Delivery of the Office's program of audits

In 2021-22, the Audit Office delivered 63 financial auditor's reports and 30 limited assurance reports and tabled 7 performance audit reports. The Audit Office expected to table two other performance audit reports in 2021-22. However, delays to the delivery of audits in 2020-21 impacted the delivery of audits in 2021-22.

Information on the Audit Office's operating results is provided in Section C.1 'Financial management analysis'.

B.1.4 Internal accountability

The Audit Office has sound internal accountability and governance arrangements, including risk and fraud management. These are overseen by the Audit Office's Executive Committee and other internal committees and management groups.

B.1.4.1 Executive Committee

The Executive Committee is responsible for the management of the Audit Office, including the implementation of the Audit Office's risk management, business continuity and fraud prevention plans.

The Executive Committee comprises the Auditor-General; Assistant Auditor-General, Performance Audit; Assistant Auditor-General, Financial Audit; Chief Operating Officer, Professional Services; and Chair of the Office Consultative Committee.

The Chair of the Office Consultative Committee became a member of the Executive Committee during 2021-22 as an outcome of the Executive Committee's consideration of the 2021 Staff Survey.

The Executive Committee is supported by the Executive Officer.

Executive Committee members at 30 June 2022 were the:

- Auditor-General: Mr Michael Harris, responsible for carrying out functions under the A-G Act, including promoting public accountability and undertaking audits;
- Assistant Auditor-General, Performance Audit: Mr Brett Stanton, responsible for managing Performance Audit operations. This includes management of performance audits and representations received by the Audit Office. Mr Stanton also fulfils the roles of Senior Executive Responsible for Business Integrity Risk (SERBIR) and Agency Security Executive (ASE);
- Assistant Auditor-General, Financial Audit: Mr Ajay Sharma, responsible for managing Financial Audit operations;
- Chief Operating Officer, Professional Services: Ms Caroline Smith, responsible for managing the day-to-day running of the Audit Office; providing advice on auditing standards; accounting and human resource matters; conducting quality assurance reviews on performance and financial audits; developing learning and development programs; and fulfilling the role of Chief Audit Executive; and
- Chair of the Office Consultative Committee (OCC): Mr Chris Huang, Director, Financial Audits was OCC Chair until 26 August 2022; Dr Tanja Porter, Senior Director, Performance Audit became OCC Chair on 29 August 2022.

B.1.4.2 Internal committees, management and staff groups

The Executive Committee is supported by internal committees, management and staff groups. Management of the Audit Office is coordinated through regular meetings between the Executive, Senior Directors, Directors, Assistant Directors, Senior Auditors and other staff. Table B-1 outlines the internal committees in the Audit Office.

Table B-1: Internal committees

Committee name and meeting frequency	Committee purpose	Committee membership in 2021-22
Executive Committee Generally meets fortnightly	<p>The Executive Committee is the senior group responsible for the governance and management of the Audit Office.</p> <p>The Committee considers strategic and operational matters, monitors the Audit Office's performance and determines the strategic and operational priorities for the Office.</p>	<p>Chaired by Auditor-General</p> <p>Assistant Auditor-General, Financial Audit</p> <p>Assistant Auditor-General, Performance Audit (and Agency Security Executive)</p> <p>Chief Operating Officer, Professional Services (and Chief Audit Executive)</p> <p>Chair of the Office Consultative Committee</p> <p>Executive Officer provides secretariat services</p>
Audit and Review Committee Five meetings per year	<p>The Committee provides assurance to the Auditor-General that the Audit Office's governance, internal audit and risk management arrangements are adequate.</p> <p>The Committee considers the Audit Office's financial statements and statement of performance and monitors the implementation of relevant recommendations from internal audit reports, quality assurance reports and reports from the Risk Manager.</p>	<p>Two independent external members, one of which is the Chair of the Committee</p> <p>One senior audit staff member from Financial Audit</p> <p>The Auditor-General and the Chief Audit Executive (Chief Operating Officer, Professional Services) have standing invitations to attend the meeting as observers</p> <p>The Director, Professional Services provides secretariat services</p>
Agency Security Committee Generally meets fortnightly	<p>The Committee monitors key protective security risks and provides oversight of the Audit Office's protective security practices.</p> <p>The Committee is a sub-committee of the Executive Committee.</p> <p>The Committee considers reports from the Risk Manager and Agency Security Adviser.</p>	<p>Chaired by the Agency Security Executive (Assistant Auditor-General, Performance Audit)</p> <p>Executive Committee</p> <p>Risk Manager and Agency Security Adviser</p>

Committee name and meeting frequency	Committee purpose	Committee membership in 2021-22
<p>Quality Assurance and Review Committee</p> <p>Generally meets fortnightly</p>	<p>The Committee discusses quality assurance matters and monitors changes to auditing standards.</p> <p>The Committee is a sub-committee of the Executive Committee.</p>	<p>Chaired by Chief Audit Executive (Chief Operating Officer, Professional Services)</p> <p>Executive Committee</p>
<p>Office Consultative Committee</p> <p>Meets at least four times per year or more frequently as required</p>	<p>The Committee is a formal forum for liaison between the Office Executive and staff for effective consultation and staff participation in decisions that affect employment; these include changes to organisational policies and work practices. Through it, staff have input to such policies and practices.</p>	<p>Three staff representatives</p> <p>One representative from the Executive Committee (Assistant Auditor-General, Financial Audit)</p> <p>One representative from the Community and Public Sector Union (CPSU)</p>
<p>Accommodation Committee</p> <p>Meets as required</p> <p>This committee ceased to operate from March 2022 after the Audit Office relocated to its new accommodation.</p>	<p>The Committee was established as a sub-committee of the Executive Committee to allow for staff representation in the decision making of the Office's new accommodation fit-out and related matters. The Committee consulted and considered staff suggestions and requests related to accommodation. The Committee provided support to the Professional Services team with the Audit Office's relocation.</p>	<p>Five staff representatives, including a staff member as Chair</p>
<p>Digital Committee</p> <p>Meets as required</p>	<p>The Committee was established as a sub-committee of the Executive Committee to support the planning, prioritising and implementation of technological improvements for the Office.</p>	<p>Six staff representatives, including a staff member as Chair</p>
<p>Social Committee</p> <p>Meets as required</p>	<p>The Committee was established as a sub-committee of the Executive Committee to help maintain a positive, inclusive and supportive workplace atmosphere by creating a sense of community, harmony, familiarity and friendship amongst all staff of the Office.</p> <p>The Social Committee does this by organising social and recreational events for the enjoyment of staff members. This may include an end of year celebration, multicultural days and other ad hoc events throughout the year.</p>	<p>Four staff representatives, including a staff member as Chair</p>

Table B-2 outlines the management and staff groups in the Audit Office.

Table B-2: Management and staff groups

Group name and meeting frequency	Purpose	Participants
Financial Audit Management meeting Generally meets fortnightly or as required	Considers strategic and operational matters relating to financial audit activities.	Chaired by Assistant Auditor-General, Financial Audit Senior Directors, Financial Audit Directors, Financial Audit
Financial Audit forum Generally meets monthly	Considers operational and technical issues affecting financial audit activities.	Chaired by various Financial Audit staff Financial Audit staff
Performance Audit team meeting Generally meets fortnightly or as required	Considers operational issues affecting the performance audit function.	Chaired by various Performance Audit staff Performance Audit staff
Professional Services team meeting Generally meets fortnightly	Considers strategic and operational issues affecting the professional services function.	Chaired by Chief Operating Officer, Professional Services Professional Services staff
All Staff meetings Generally held quarterly	A forum in which to share information and discuss Audit Office issues with all staff.	Chaired by Chief Operating Officer, Professional Services All staff

B.1.5 Key internal accountability mechanisms

The Audit and Review Committee (the Committee) is an important internal accountability mechanism for the Audit Office. The Committee reports directly to the Auditor-General and provides assurance on the Audit Office's risk, control and compliance framework and its external accountability responsibilities.

This Committee's membership consists of an independent Chair (external), an external member and one senior Audit Office staff member. The activities of the Audit and Review Committee are discussed in Section B.5 'Internal audit'.

The Audit Office has internal review processes that provide assurance that financial and performance audits are performed in accordance with the relevant auditing standards and better practices. The review processes for performance and financial audits are discussed under Section B.2.8 'Monitoring and improving the quality of performance audit work' and Section B.2.13 'Improving the quality of financial audit work'.

B.1.6 Strategic and organisational planning

The Audit Office's future corporate direction, planned outcomes and objectives are set out in the *Strategic Plan 2019-2022* (Strategic Plan). The Strategic Plan provides a means of

ensuring that management and staff share a common view about the Audit Office's objectives and areas of responsibility. It is supported by reporting mechanisms for financial audit, performance audit and professional services activities and monitored regularly by the Executive Committee.

B.1.7 Executive remuneration

Executive remuneration is determined by the ACT Remuneration Tribunal and under other relevant laws and instruments, such as the *Public Sector Management Act 1994* and the *Public Sector Management Standards 2016*. The Tribunal's Determinations are available from its website at <http://www.remunerationtribunal.act.gov.au/>.

Information on the remuneration of executives in the Audit Office is provided in Note 11: 'Related Parties' in Section C.2 'Financial statements'.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.2 Performance analysis

B.2.1 Audit Office's objectives

The Audit Office's strategic direction is based on the *Auditor-General Act 1996* (A-G Act) and is set out in its Strategic Plan.

Under paragraph 12(2)(b) of the *Financial Management Act 1996*, the requirement imposed on directorates to have performance criteria (i.e. accountability indicators) does not apply to the Audit Office. While the Audit Office is not required to have strategic or accountability indicators, it does so as better practice. Each year, the Audit Office also:

- advises the Speaker of the ACT Legislative Assembly and Standing Committee on Public Accounts (PAC) of its planned levels of performance by reference to specific accountability indicators and related targets; and
- prepares a Statement of Performance which compares the Audit Office's actual performance to planned levels of performance. This statement is independently reviewed by the external auditor engaged by the Speaker and is included in the Audit Office's annual report.

The following sections describe performance based on financial results, data from the Statement of Performance and qualitative information relating to the Audit Office's Strategic Plan.

B.2.2 Financial results of the ACT Audit Office

In 2021-22, income (\$9.427 million) largely consisted of financial audit fees (\$5.281 million) and appropriation (\$4.058 million); expenses (\$8.291 million) largely comprised of employee expenses (\$6.484 million) and supplies and services costs (\$1.792 million).

The Audit Office made an *operating surplus* of \$1,136,000 in 2021-22 compared to the budgeted operating deficit of \$107,000. The significantly better operating result compared to budget is largely due to lower employee expenses and contractor and consultant costs.

The Audit Office has been continually working on measures to improve its financial position. This includes optimising the collection of financial audit fees to recover the total cost of service delivery.

Further information on the Audit Office's financial results is provided in Section C.1 'Financial management analysis'.

B.2.3 Performance audits

Performance audits seek to promote public accountability in the public administration of the Territory by providing the ACT Legislative Assembly and broader ACT community with an independent assessment of the management of public resources and delivery of services. Performance audits also identify areas where public administration and services could be improved and usually include recommendations that address identified issues.

The Audit Office has robust planning, consultation and topic selection processes for the annual performance audit program. The consultation involves the Standing Committee on Public Accounts, Members of the Legislative Assembly, the Head of Service, directors-general and chief executives of ACT Government directorates and agencies, statutory officers and representatives of community groups.

The performance audit program is flexible and responsive to new and emerging issues, including those identified from representations from the ACT Legislative Assembly or broader community.

In surveys undertaken by the Audit Office, auditees advised that they were satisfied with the way performance audits were conducted. Auditees' comments were largely positive and indicated satisfaction with the professional and constructive way in which audits were conducted. Suggestions for improvements to Audit Office practices were also received and have been carefully considered and addressed where possible.

B.2.4 Meeting targets

Table B-3: Accountability indicators for performance audits

Accountability indicators	2020-21 Actual	2021-22 Actual	2021-22 Target
Number of performance audit reports presented to the ACT Legislative Assembly	8	7	9
Average period of completion of performance audits	10.3 months	10.9 months	7.0 months
Percentage of agencies satisfied with performance audits	94%	100%	95%
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	89%	90%	80%

B.2.5 Performance audits tabled in 2021-22

Seven performance audit reports were tabled in the ACT Legislative Assembly in 2021-22. These were:

- *Canberra Light Rail Stage 2A: Economic Analysis* (Report No. 8/2021)
- *Digital Records Management* (Report No. 10/2021)
- *Campbell Primary School Modernisation Project Procurement* (Report No. 12/2021)
- *Management of Detainee Mental Health Services in the Alexander Maconochie Centre* (Report No. 1/2022)
- *Fraud Prevention* (Report No. 2/2022)
- *ACT Taxi Subsidy Scheme* (Report No. 3/2022)
- *Governance arrangements for the planning of services for Parkwood, Ginninderry* (Report No. 4/2022)

An overview of the tabled reports is as follows.

Canberra Light Rail Stage 2A: Economic Analysis (Report No. 8/2021)

On 10 September 2019, a redacted version of the *City to Woden Light Rail: Stage 2a City to Commonwealth Park Business Case* (Stage 2a Business Case) was made publicly available. The Stage 2a Business Case included information associated with the economic analysis for Light Rail Stage 2a.

The purpose of the audit was to review the effectiveness of the economic analysis for the Light Rail Stage 2a Business Case.

The audit found:

- the capital cost of Light Rail Stage 2a is expected to be higher than what was estimated in the Stage 2a Business Case; and
- inadequate information was provided in the Business Case in relation to the development costs associated with the accelerated development of the Acton Waterfront, including the methodology for their quantification and the assumptions underpinning the estimate.

The audit also found that a significant amount of the benefits identified for Light Rail Stage 2a are predicated on the project being a catalyst for the acceleration of development of the Acton Waterfront. However, neither the Stage 2a Business Case or Economic Appraisal Report provided information or evidence on how Light Rail Stage 2a is expected to accelerate development at the site.

The audit made 3 recommendations for improvement, including a recommendation to review and update the economic analysis associated with Light Rail Stage 2a and make this publicly available in an updated Stage 2a Business Case.

On 14 October 2021 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

Digital Records Management (Report No. 10/2021)

Planning for a whole-of-government electronic document and records management system (EDRMS) has been underway, in some form, since 2011. In 2018, the ACT Government commenced the first major initiative for the implementation of a whole-of-government EDRMS.

The purpose of the audit was to review: the arrangements for the planning, implementation and achievement of the four expected deliverables of the whole-of-government initiative; and the activities of three directorates and their transition to the whole-of-government EDRMS.

The audit found that there had been good progress made on three of the four deliverables (three years into the whole-of-government initiative) and that the rollout and consolidation of the whole-of-government EDRMS had been supported by improved governance and administrative arrangements.

The audit also found that each of the three directorates considered as part of the audit (the Community Services Directorate, the Transport Canberra and City Services Directorate

and the Chief Minister, Treasury and Economic Development Directorate) have demonstrated improved digital record-keeping practices between 2018 and 2021, although not to the full extent envisaged in 2018. Each directorate has planned for, and implemented, digital record-keeping initiatives specific to their needs and circumstances.

The audit made five recommendations for improvement, including a recommendation to develop a performance framework for the implementation of EDRMS across ACT Government directorates and agencies.

Campbell Primary School Modernisation Project Procurement (Report No. 12/2021)

A procurement for design and construction services for the Campbell Primary School Modernisation Project was undertaken between July 2019 and September 2020.

The performance audit considered the probity of the procurement process, as well as governance and administrative arrangements.

The audit found that the procurement process lacked probity. Tenderers were not dealt with fairly, impartially and consistently. Decision-making was not based on the evaluation criteria with which the Territory approached the market and sought tenders and probity was not demonstrated in the procurement process to 'deal fairly, impartially and consistently with suppliers'.

The audit made six recommendations for improvement, which seek to improve procurement administrative processes.

On 16 March 2022 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

Management of Detainee Mental Health Services in the Alexander Maconochie Centre (Report No. 1/2022)

Detainees within the Alexander Maconochie Centre (AMC) are provided with a range of health services that are delivered via a shared care arrangement between ACT Corrective Services (ACTCS) and Canberra Health Services (CHS).

The audit considered the effectiveness of the delivery of mental health services to detainees within the AMC.

The audit found that planning for the delivery of mental health services was ineffective, due to the lack of a Clinical Services Plan that guided the planning for, or delivery of, mental health services to detainees. Poor data collection practices also hampered the ability of agencies to determine the: number of detainees with mental health conditions; nature of those conditions; and likely treatment requirements.

The audit found that the delivery of mental health services to non-Aboriginal and Torres Strait Islander detainees under psychiatric or suicide and self-harm ratings was effective, but the delivery of culturally sensitive mental health treatment to Aboriginal and Torres Strait Islander detainees with psychiatric or suicide or self-harm risks could be improved by the inclusion of input from an Indigenous service provider. Detainees with less severe mental health conditions do not receive adequate treatment due to a significant shortage of psychologists within the AMC. The treatment of this cohort could also be strengthened by the development of policies and procedures that guide their care.

The audit made 19 recommendations for improvement.

On 30 June 2022 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

Fraud Prevention (Report No. 2/2022)

Fraud in the public sector takes resources away from the services on which the public depend and undermines the integrity of government. Fraudulent acts damage the ACT community's trust in the integrity of the ACT Public Service and its capacity to effectively protect public resources.

This audit considered the fraud prevention measures of three ACT Government agencies: Community Services Directorate (CSD), Transport Canberra and City Services Directorate (TCCS) and Access Canberra (Chief Minister, Treasury and Economic Development Directorate (CMTEDD)).

The audit found that the agencies undertake activities designed to prevent or minimise the risk of internal fraud including developing and implementing Fraud and Corruption Prevention Plans and reviewing fraud and corruption risks on a regular basis. The agencies had also implemented effective assurance mechanisms for the management of fraud and corruption risks, which include oversight by audit committees and regular reporting from the Senior Executive Responsible for Business Integrity Risk (SERBIR)

The agencies also undertook activities designed to foster fraud awareness among employees including making policies and procedures available on the intranet, regularly releasing all-staff emails reminding employees about fraud and corruption procedures or emerging risks and providing training about integrity to new employees.

The audit made six recommendations for improvement including recommendations aimed at improving the measurement of staff perceptions of fraud and corruption risks in the agency and testing the effectiveness of the communication and training activities on staff awareness.

On 30 June 2022 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

ACT Taxi Subsidy Scheme (Report No. 3/2022)

The ACT Taxi Subsidy Scheme is part of the ACT Government's Concessions Program. The Scheme aims to provide subsidised taxi fares to permanent ACT residents with a severe or profound activity limitation which prevents them from using public transport.

The audit considered the activities of the ACT Revenue Office in managing the Scheme.

The audit found that planning and delivery of the Scheme was hampered by a lack of clarity and specificity with respect to the purpose and objectives of the Scheme. Furthermore, subsidy amounts and subsidy caps have not been reviewed or changed for at least eight years, while taxi fare costs had increased during this period, indicating a deteriorating benefit of the Scheme to its members.

The audit found that members of the Scheme who need to travel greater distances are also disadvantaged compared to members who travel smaller distances. To the extent that affordable housing and social housing is increasingly located in new suburbs on the outskirts of Canberra, there is likely to be a continuing and growing inequity associated with members' use of the Scheme.

The audit made four recommendations for improvement, including a key recommendation to review and clearly articulate the purpose and objectives of the Scheme.

On 30 June 2022 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

Governance arrangements for the planning of services for Parkwood, Ginninderry (Report No. 4/2021)

In 2016 the ACT Government entered into a joint venture agreement for the residential development of up to 11,500 dwellings as part of the Ginninderry development in West Belconnen. Ginninderry includes a component over the border in New South Wales, called Parkwood.

This audit considered how effectively the cross-border governance arrangements entered into by the ACT Government support the Territory to plan for services in Parkwood.

The audit noted that a threshold issue for planning for service delivery arrangements was the location of the ACT-NSW border and that the ACT Government's preferred approach is to move the ACT-NSW border such that Parkwood becomes part of the Territory. The audit found that continuing uncertainty about the prospects of moving the border and the cost implications for the Territory increases the risks associated with this option and its cost-

effectiveness for the ACT and there is a need for forward planning to reduce and manage these uncertainties.

The Parkwood Governance Steering Committee is the key governance forum for inter-jurisdictional and ACT Government parties that have responsibility for developing and implementing a model for service delivery to Parkwood. The Committee met twice (in March 2021) but has not met since then and there is no schedule of forward meetings. As chair of the Committee, CMTEDD has not effectively advanced the development of a model for the delivery of services in Parkwood through this forum.

The audit made two recommendations for improvement.

On 30 June 2022 the audit was adopted for further inquiry by the Public Accounts Committee. The inquiry is underway.

B.2.6 Timeliness of performance audits

The average time taken to complete performance audits in 2021-22 was 10.9 months. This exceeded the targeted completion timeframe of 7.0 months.

In 2021-22, four of the seven tabled performance audits were completed in less than 9.5 months, with two of those audits being completed in less than 7.0 months. Three of the seven tabled audits were completed in 13.2 months or more, with one audit being completed in 18.5 months.

Reasons for exceeding the target time varied according to the audit. A key factor that influences the length of time was the complexity of the audit topic and subject matter.

Over time it has become apparent that the targeted completion timeframe of 7.0 months was increasingly unrealistic. For example, many audits are already planned for and commenced with an expected timeframe in excess of 7.0 months at the outset of the audit, in recognition of their expected complexity. It is also noted that the average timeframe for completion of performance audits across other Australian audit offices is 10.7 months. For the purpose of the Audit Office's 2022-23 Statement of Performance, the target for this accountability indicator has been increased to 9.0 for 2022-23. This is considered to be a more realistic and appropriate target.

The Audit Office continues to explore ways to provide the capacity needed to deliver its performance audit program. The use of contractors and consultants in the delivery of performance audits, and subject matter experts when appropriate, is a means by which capacity for the delivery of audits can be increased.

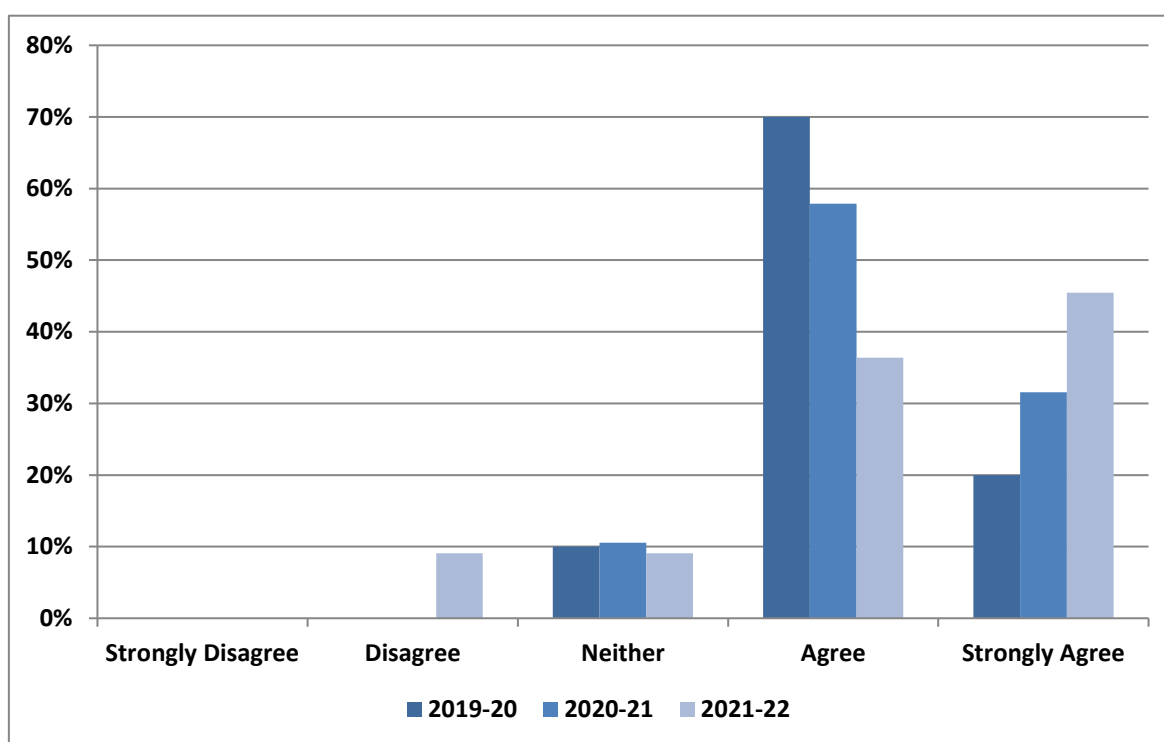
B.2.7 Satisfaction with performance audits

Auditees are surveyed following the completion of each performance audit. Survey responses showed that agencies in general value the work of the Audit Office. Comments provided by agencies in 2021-22 were generally positive and indicated high levels of satisfaction with the way in which audits were conducted. Comments from agencies are in Note 6 of the Audit Office's Statement of Performance in Section C.6 'Statement of performance'.

Figure B.2 and Figure B.3 is based on a total of 11 agency responses to satisfaction surveys. The data in the Audit Office's Statement of Performance in Section C.6 'Statement of performance' is based on a total of 10 survey responses. The 11th survey response, which was positive, was received after the finalisation of the Statement of Performance.

Figure B.2 indicates agencies' perceptions of audit contributions to improving administration of the audited activity.

Figure B.2: Auditees' responses: 'The performance audit will help our organisation to improve administration of the audited activity'

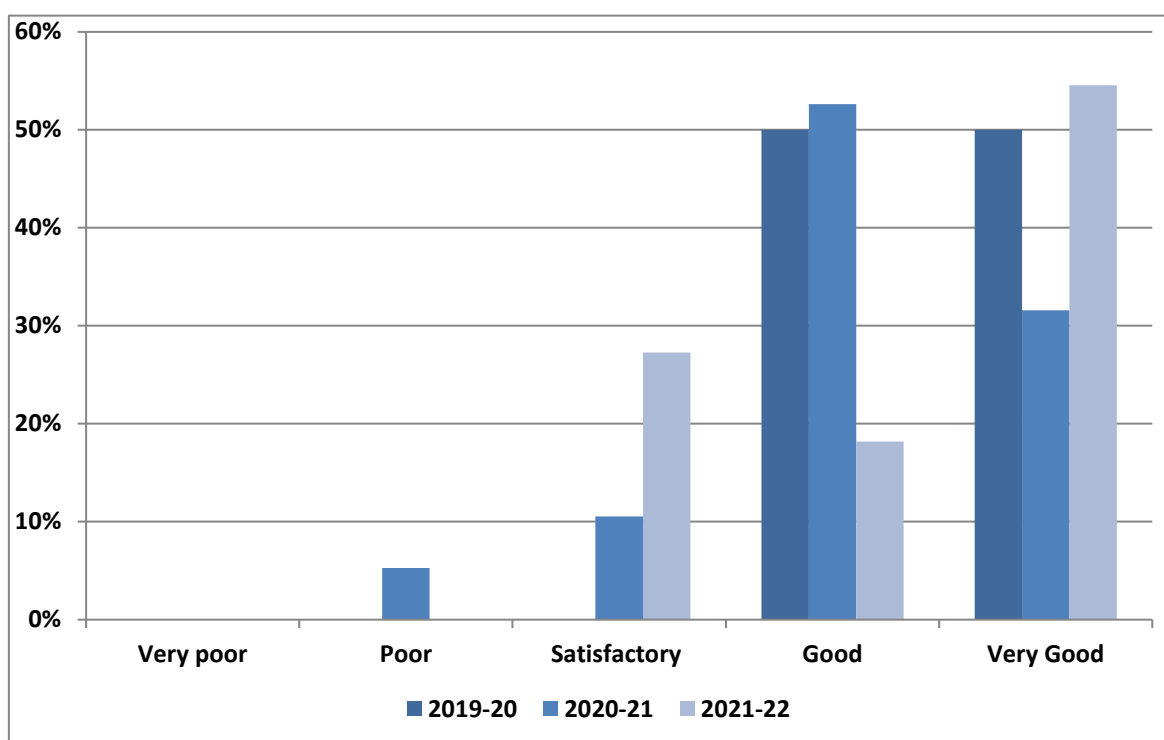


Source: Performance audit satisfaction survey responses.

Figure B.2 shows that, in 2021-22, auditees generally responded positively to the statement 'the audit will help our organisation to improve administration of the audited activity'. Figure B.2, which is based on 11 survey responses received, shows that nine out of 11 respondents agreed (four responses) or strongly agreed (five responses) with the statement. One respondent disagreed with the statement. The Audit Office sought further

feedback from the auditee in relation to this response in order to identify opportunities to improve performance.

Figure B.3: Auditees' responses: 'Performance audit - overall performance'



Source: Performance audit satisfaction survey responses.

Figure B.3 shows that most agencies continued to have a positive performance audit experience. Figure B.3, which is based on 11 survey responses received, shows that eight out of 11 respondents rated overall performance as 'good' (two responses) or 'very good' (six responses). Three respondents identified the Office's overall performance as 'satisfactory'.

The Audit Office uses the survey process as a means to identify auditees' concerns and, where appropriate, modify methods and practices. This is part of a continuous improvement process to implement more effective work practices.

B.2.8 Monitoring and improving the quality of performance audit work

The Audit Office seeks to improve the quality of its performance audits by undertaking:

- engagement quality control reviews, sometimes referred to as 'hot' reviews as they involve a review of audit work, and any findings being addressed, before the audit is completed; and
- quality assurance reviews, sometimes referred to as 'cold' reviews. These involve a review of audit work after the audit has been completed.

Engagement quality control reviews

All audits completed in 2021-22 were subject to an engagement quality control review. These reviews sought to provide assurance that the:

- performance audit report conclusions were supported by audit findings;
- audit findings were supported by sufficient and appropriate evidence; and
- audit work was subjected to an appropriate level of review.

Findings relating to individual audits were addressed prior to the tabling of reports in the ACT Legislative Assembly.

Quality assurance reviews

The quality assurance review process primarily focuses on whether the selected performance audits were conducted in accordance with the Office's performance audit methods and practices. Additionally, these reviews assess the implementation of any matters identified from previous quality assurance reviews, including those from the Office's external reviews and engagement quality control reviews. These reviews are undertaken and finalised after an audit has been completed.

In 2021-22 quality assurance reviews were conducted on two performance audits tabled in 2020-21. The reviewer concluded that the performance audits complied with the Office's performance audit methods and practices and included appropriate audit evidence to support their findings and conclusions.

Performance Audit Methods and Practices

Performance Audit Methods and Practices (PAMPr) is the Audit Office's method for the conduct of performance audits. PAMPr is incorporated in ASPIRE (an electronic document management system). The use of PAMPr and ASPIRE contributes to compliance with relevant auditing standards and consistency in Audit Office practice.

PAMPr and ASPIRE are continuously reviewed and modified to identify any required changes to practices.

B.2.8.1 Comparison with other jurisdictions

While a comparison with other jurisdictions is provided, it should be interpreted with caution as variations are likely to be due to jurisdictional differences such as legislative mandate and operational context. As a result, the costs and timeliness of audits will vary.

Cost

In 2021-22, the average cost of a performance audit for all state and territory offices in Australia was \$390,183. The Audit Office's average cost per performance audit for 2021-22 was \$281,809. This was a small increase on the 2020-21 average of \$266,078.

Timeliness

The Audit Office's average period of completion of performance audits in 2021-22 was 10.9 months compared to the average of 10.7 months for all state and territory audit offices in Australia.

Further information can be obtained from:

Mr Brett Stanton	Assistant Auditor-General, Performance Audit	(02) 6207 9534	brett.stanton@act.gov.au
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B.2.9 Financial audits

The Audit Office provides auditor's reports on financial statements and limited assurance reports on statements of performance of ACT Government directorates, authorities and companies.

Most financial statements audits are required by the *Financial Management Act 1996* or *Corporations Act 2001* with a small number of audits such as grant acquittals and land joint venture audits performed under other requirements.

Limited assurance engagements on statements of performance for ACT Government directorates and authorities are required by the *Financial Management Act 1996*.

ACT Government agencies are required to include auditor's reports and limited assurance reports in their annual reports along with the financial statements and statement of performance that have been examined by the Audit Office. The reports are issued in accordance with the Australian Auditing Standards and include an independent opinion on whether information reported in financial statements and statements of performance are fairly presented.

The results and findings from the Office's work on financial statements audits and limited assurance engagements on statements of performance are summarised in the following reports published on the Office's website:

- *Report No. 10/2021: 2020-21 Financial Audits – Overview*
- *Report No. 12/2021: 2020-21 Financial Audits – Financial Results and Findings*

B.2.10 Meeting targets

Table B-4: Accountability indicators for financial audits

Accountability indicators	2021-22 Actual	2021-22 Target
Number of auditor's reports issued on financial statements and compliance auditor's reports	63	61
Number of limited assurance reports issued on statements of performance	30	30
Percentage of agencies satisfied with the potential for financial audit findings and/or recommendations to improve their financial reporting, governance or internal controls	100%	95%
Percentage of financial audits completed within the required timetable	98%	100%
Percentage of agencies satisfied with financial audits and compliance audits	100%	95%
Presentation of the summary reports on financial audits to the ACT Legislative Assembly		
1. Financial Audits – Overview	Nov 2021	Nov 2021
2. Financial Audits – Financial Results and Audit Findings	Dec 2021	Dec 2021

Overall, the Audit Office performed well against all its financial audit accountability indicators in 2021-22. More details on these are disclosed in Section C.6 'Statement of performance'.

B.2.11 Improving reporting

As in prior years, in 2021-22, the Audit Office continued to work with reporting agencies to improve their financial statements and statements of performance submitted for examination by the Audit Office. This was done with the aim of supporting reporting agencies to publish high quality financial statements and statements of performance in their annual reports.

The Chief Minister, Treasury and Economic Development Directorate (Directorate) issues financial reporting guidance and policies to agencies. The Directorate consults with the Audit Office to address any significant matters before issuing these to agencies. This consultation process provides increased assurance that reporting agencies using this guidance material will comply with Australian Accounting Standards and other reporting requirements.

Reporting agencies also consult with the Audit Office to gain its views on complex accounting and reporting matters on their financial statements or statements of performance. This consultation process reduces the risk of:

- modified reports on financial statements¹ or statements of performance²;
- errors or misstatements in financial statements or statements of performance; and/or
- agencies not complying with legislative reporting deadlines.

The Audit Office may use accounting specialists to assist in its review of accounting and reporting practices used by reporting agencies. The Audit Office is more likely to use an accounting specialist where the:

- Audit Office assesses that it does not have sufficient internal expertise; and/or
- transactions and arrangements are significant and complex or will have a significant financial impact over several years.

Consistent with previous years, the Audit Office used accounting specialists to assist in performing its review of accounting and reporting practices when necessary, and IT audit specialists to review information technology general controls and controls over various applications used by reporting agencies to prepare their financial statements.

The Audit Office also used experts to review:

- estimates of reported actuarial liabilities, including superannuation liabilities (Superannuation Provision Account), claims liabilities (ACT Insurance Authority, Default Insurance Fund, Public Sector Workers Compensation Fund, Office of the Nominal Defendant of the ACT, and Lifetime Care and Support Fund), and portable long service leave scheme liabilities (ACT Long Service Leave Authority); and
- tax affected accounting balances and disclosures (Suburban Land Agency, City Renewal Authority and Transport Canberra Operations).

B.2.12 Financial audit webinar

The Audit Office held its Financial Audit Webinar (Webinar) on 23 March 2022. The Webinar was opened by the Chair of the Standing Committee on Public Accounts and was

¹ A modified audit opinion is issued where the Audit Office disagrees with management about reported amounts or disclosures or has been unable to gain sufficient evidence, or perform sufficient work, to form an opinion in relation to the information reported in the financial statements.

² A modified limited assurance report will be issued where a reported result of an accountability indicator is not accurate or cannot be independently verified.

well attended by representatives of reporting agencies involved in the preparation of financial statements and annual reporting process. This included Chairs of audit and review committees and Chairs of governing boards.

The webinar provided attendees with information on:

- results and key findings from the previous year's audit process;
- key messages and tips for the 2021-22 audits including communication protocols with the continuation of remote working arrangements and hybrid teams;
- matters that need early attention by agencies for a smooth audit process;
- use of experts by management;
- management representations required for audit purposes;
- tips for the preparation and review of financial statements;
- changes to the model financial statements and ACT Government accounting policies issued by the Directorate;
- whole-of-Government reporting requirements and timetable; and
- key audit contacts.

Overall, attendees provided favourable feedback on the webinar.

B.2.13 Improving the quality of financial audit work

Reviews of audit work are performed on all financial audits. These reviews provide assurance that audit work has been properly planned and performed which means that sufficient evidence has been obtained to support the opinions provided in auditor's reports on financial statements and limited assurance reports on statements of performance. These reviews are performed by experienced members of the assigned audit team and improve the skills of less experienced team members.

In addition to team based reviews, the Audit Office's Chief Operating Officer, Professional Services oversees the conduct of quality control reviews, performed by an experienced person independent of the audit team, in accordance with the Audit Office's *Quality Control and Assurance Policy*. These reviews comprise of engagement quality control reviews and quality assurance reviews.

Engagement quality control reviews

Financial audits assessed as high risk engagements are subject to an engagement quality control review. The engagement quality control reviewer assesses if judgements made, and conclusions reached by the audit team are appropriate by reviewing key documentation and discussing relevant issues with the Audit Engagement Leader. Any matters identified from these reviews are addressed prior to the completion of the financial audits.

Quality assurance reviews

The quality assurance review primarily focuses on whether the selected financial audits and limited assurance engagements on statements of performance were conducted in accordance with the Office's financial audit method and Australian Auditing Standards. The review also assesses the implementation of any matters identified from previous quality assurance reviews, including those from the Office's external reviews and engagement quality control reviews. These reviews are undertaken and finalised after the audit has been completed.

During 2021-22, quality assurance reviews of selected financial audit files were conducted by the Tasmanian Audit Office under a reciprocal peer review arrangement. Overall, the review concluded that there was sufficient and reliable audit evidence in the financial audit files reviewed to demonstrate compliance with the Office's financial audit method and Australian Auditing Standards. A few better practice recommendations and minor areas for improvement were identified during the review. These will be incorporated into the Office's audit method and future audit files.

To provide assurance that review findings and recommendations lead to continuous improvements in the quality of financial audit work, the Office:

- provides guidance to staff through training on these matters;
- includes these matters in a checklist to be completed indicating that review findings have been addressed before auditor's reports and limited assurance reports are issued; and
- includes these matters in future quality assurance reviews to confirm that previous review findings were consistently addressed.

B.2.14 Comparison with other jurisdictions

While a comparison with other jurisdictions is provided, it should be interpreted with caution as variations are likely due to jurisdictional differences such as legislative mandate and operational context. As a result, the costs and timeliness of audits will vary.

Cost

The Audit Office's average cost per opinion issued on financial statements and statements of performance in 2021-22 was \$66,506 compared to the average cost per opinion for all state and territory audit offices in Australia of \$85,870.

Timeliness

The Audit Office issued 93 percent of its auditor's reports on financial statements within three months of the end of the reporting period compared to the average of 58 percent for all state and territory audit offices in Australia.

Further information can be obtained from:

Mr Ajay Sharma	Assistant Auditor-General, Financial Audit	(02) 6207 0830	ajay.sharma@act.gov.au
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B.3 Scrutiny

B.3.1 ACT Legislative Assembly inquiries and reports

Mechanisms for scrutinising the Audit Office's performance are provided by the *Annual Reports (Government Agencies) Act 2004*, the *Auditor-General Act 1996* (A-G Act) and engagement with the Standing Committee on Public Accounts (PAC). The Audit Office's annual reports, which include the Audit Office's audited financial statements and statement of performance, are examined by the ACT Legislative Assembly's Estimates Committee and the PAC.

The Audit Office's work is also subject to scrutiny and commentary by auditees, the general community and the media. Performance audit reports are tabled in the ACT Legislative Assembly by the Speaker, thereby being made public; they are also referred to the PAC. The PAC examines audit reports and may hold public inquiries into them. The Audit Office offers to brief the PAC on all performance and financial audit reports and gives evidence to public inquiries at the request of the PAC.

The following Audit Office reports were referred to the PAC in 2021-22:

- *Canberra Light Rail State 2A: Economic Analysis* (Report No. 8/2021) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)
- *2020-21 Financial Audits Overview* (Report No. 10/2021)
- *Digital Records Management* (Report No. 11/2021)

- *2020-21 Financial Audits – Financial Results and Audit Findings* (Report No. 12/2021)
- *Campbell Primary School Modernisation Project Procurement* (Report No.13/2021) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)
- *Management of Detainee Mental Health Services in the Alexander Maconochie Centre* (Report 1/2022) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)
- *Fraud Prevention* (Report No. 2/2022) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)
- *Taxi Subsidy Scheme* (Report No. 3/2022) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)
- *Governance arrangements for the planning services for Parkwood, Ginninderry* (Report No. 4/2022) (adopted for further inquiry by the PAC) (inquiry in progress at 30 June 2022)

A PAC inquiry into the following performance audit report was also in progress as at 30 June 2022:

- *Report No. 4/2020: Residential Land Supply and Release.*

PAC inquiries into the following performance audit reports were concluded in 2021-22:

- *Report No. 1/2020: Shared Services Delivery of HR and Finance Services* (9 December 2021);
- *Report No. 6/2020: Transfer of worker's compensation arrangements from Comcare* (8 December 2022);
- *Report No. 5/2021: Management of Closed-Circuit Television Systems* (8 February 2022);
- *Report No. 3/2021: Court Transport Unit Vehicle – Romeo 5* (18 May 2022);
- *Report No. 1/2021: Land Management Agreements* (15 June 2022); and
- *Report No. 7/2021: Procurement exemptions and value for money* (15 June 2022).

The Standing Committee on Education and Community Inclusion completed its inquiry into the following report on 4 August 2022:

- *Report No. 6/2021: Teaching Quality in ACT Public Schools.*

B.3.2 Reports of the Ombudsman

The Audit Office is not a prescribed authority under the *Ombudsman Regulation 1989* made under the *Ombudsman Act 1989*. This means the Audit Office does not fall under the ACT Ombudsman's jurisdiction.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.4 Risk management

B.4.1 Risk management

The Audit Office's risk management framework complies with the risk management standard AS ISO 31000:2018 as required by the ACT Government *Risk Management Policy 2021*, and the requirements of the ACT Government *Protective Security Policy Framework (2017)*. The Audit Office's risk management framework includes a Risk Management Policy and Plan and Risk Registers, a Fraud and Corruption Prevention Plan and a Business Continuity Policy and Plan and is supported by a comprehensive suite of other policies and procedures.

The Audit Office's Risk Registers comprise a Strategic Risk Register, Operational Risk Registers for the Office's three branches, a Fraud Risk Register, a Finance Risk Register and a Work Health and Safety Risk Register. The Business Continuity Plan was reviewed in November 2021 by an independent risk management consultant. The consultant led a training session for the Office's main and alternate crisis teams on the application of the Audit Office's Business Continuity Plan, focusing on roles and responsibilities, how to apply key elements of the Business Continuity Plan and identifying any areas for improvement.

In previous years, most recently in August 2020, the Audit Office undertook the ACT Government's Protective Security Policy Framework self-assessment. The Audit Office is not obliged to report on an annual self-assessment as stated in *the ACT Government Protective Security Policy Framework (2017)*; however, the Audit Office chooses to conduct self-assessments for the information of the Audit Office's Executive Committee and to uphold better practices. The Audit Office will undertake a Protective Security Policy Framework self-assessment in the latter half of 2022, now that the Audit Office has relocated to its new permanent accommodation.

The Audit Office's Risk Manager is responsible for monitoring and reporting on the Audit Office's risk management framework. The Risk Manager provides a bi-annual Risk Management Report to the Audit Office's Executive Committee and Audit and Review Committee.

The Executive Committee has overall responsibility for overseeing risk management in the Audit Office. This Committee is also the Audit Office's Security Committee and monitors the Office's register of risks including security risks and their mitigation.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.5 Internal audit

B.5.1 Audit and Review Committee

The Audit and Review Committee operates in accordance with its charter; it provides assurance and assistance to the Auditor-General on the Audit Office's risk, control and compliance framework and its external accountability responsibilities.

In particular, the Committee assists the Auditor-General in discharging his responsibilities for: exercising due care, diligence and skill in relation to the Audit Office's financial and risk management; adequacy of internal controls; application of accounting policies; compliance with applicable laws; and reporting of financial information. The Committee also supports the Auditor-General in maintaining an ethical culture within the Office.

Details of the membership of the Committee and meetings attended by its members in 2021-22 are provided in Table B-5.

Table B-5: Audit and Review Committee

Name	Position	External / Internal	Duration	No. of meetings attended in 2021-22
Mr James Palmer	Independent Chair	External	March 2017 to March 2021 Reappointed March 2021 to March 2023	5
Ms Sally Ramsey	Member	External	May 2020 to May 2022 Reappointed May 2022 to May 2024	5
Mr Saman Mahaarachchi	Member	Audit Office (Internal)	March 2020 to March 2022 Appointment extended to June 2022	5

One member of the Committee is remunerated.

The Auditor-General and the Chief Audit Executive (Chief Operating Officer, Professional Services) have a standing invitation to attend all Audit and Review Committee Meetings as observers.

The main activities of the Committee in 2021-22 were:

- implementing an annual internal audit work program against a three-year Strategic Internal Audit Plan;
- overseeing internal audits and reviews of the Audit Office's compliance with key legislation, the Audit Office's implementation of recommendations from previous internal audits and other reviews;
- reviewing the effectiveness of the systems for monitoring compliance with key legislative obligations;
- reviewing and endorsing the Audit Office's financial statements and statement of performance; and
- monitoring the Audit Office's risk management, fraud control and financial management activities through regular reports from the Audit Office's Risk Manager, Senior Executive Responsible for Business Integrity Risk (SERBIR) and Chief Finance Officer.

B.5.1.1 Internal Audit

Two internal audits were completed during 2021-22.

Curijo Pty Ltd was engaged to conduct a review of the Audit Office's compliance with annual leave and personal leave delegations.

Curijo concluded that:

...[the] ACT AO [ACT Audit Office] controls for the administration of annual and personal leave are appropriate and support compliance with the relevant authority, policy and procedures. However, the operational arrangements are not fully effective.

Several instances of non-compliance were observed including timing of approvals for leave, not attaching appropriate evidentiary requirements to approvals, approvals made without fully checking evidentiary artefacts and lack of appropriate record keeping. Some clauses of the Leave Administration Policy and Procedures are conflicting, unclear or out of step with the intent of operational requirements. The policy document is also overdue for review. Once reviewed, regular communication

of the policy intent will strengthen the operating effectiveness of leave arrangements.

Three recommendations were made to improve timesheet approval workflows and strengthen the medical evidence requirements. All recommendations were completed by July 2022.

Callida Consulting was engaged to review the Audit Office's Information, Communication and Technology (ICT) operations, monitoring and cyber security to assess the current state of these functions and whether operations were in line with the Audit Office policies and relevant Whole of Government ICT policies.

Callida Consulting concluded that:

...[the] Audit Office ICT operations are well-managed and are mostly compliant with key requirements of Government ICT policies and has effective controls over access to business systems. This audit has identified one finding related to education and awareness which represents a low risk. Other observations were noted throughout this audit which may wish to be considered to further strengthen the control framework, however, the risk posed by these do not merit a finding.

One recommendation was made to conduct annual refresher training for all Audit Office staff on key ICT policies and cyber security awareness. The recommendation was implemented in August 2022 and future training will be scheduled annually.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.6 Fraud prevention

The Audit Office has a suite of policies in place to minimise the risk of fraud and corruption. The key policies for the management of fraud and corruption risks are:

- the *Integrity Code*;
- the *Fraud and Corruption Prevention Plan*; and
- the *Positive Workplace Culture Policy and Procedures*.

Other relevant policies and procedures include the *Protective Security – Physical Security Policy*; *Asset Management Policy and Procedures*; *Acceptable Access and Use of*

Information and Communication Technology Resources Policy and Guidelines; Privacy of Information Policy; and Personnel Delegations. Staff are made aware of these policies and new staff are introduced to them as part of induction training.

Fraud and Corruption Risk Register

Fraud and corruption risks have also been identified for the purpose of a Fraud and Corruption Risk Register. Risks on the Fraud and Corruption Risk Register are reviewed every six months, with a view to identifying whether: any new risks need to be added; the existing risk ratings remain appropriate; and the identified controls continue to be effective. The risks on the Fraud and Corruption Risk Register inform the development of the *Fraud and Corruption Prevention Plan*.

The Fraud and Corruption Risk Register identifies 13 fraud and corruption-related risks (10 medium-rated risks and three low-rated risks) for which existing controls have been identified as Adequate. The Office's 13 fraud and corruption-related risks are categorised as follows:

- financial management and administration;
- leave management and time recording;
- recruitment;
- procurement and contracting; and
- theft and misuse of data.

As part of the 2022 Staff Survey, staff were asked to comment on the statement 'The Office is honest and ethical in its business practices'. Ninety-seven percent of staff agreed or strongly agreed with this statement.

Fraud and Corruption Prevention Plan

A key achievement for 2021-22 was the review and reinvigoration of the *Fraud and Corruption Prevention Plan*, which was completed in October 2021. The revised Plan included:

- the addition of a Fraud and Corruption Policy Statement that encapsulated the key points conveyed in the Plan;
- expanded descriptions of roles and responsibilities;
- additional information and guidance to highlight the importance of ethical culture and behaviour as the key control to fraud and corruption prevention; and

- additional emphasis on the linkage between the Office's Fraud and Corruption Risk Register and its input into the Plan.

Senior Executive Responsible for Business Integrity Risk

The Assistant Auditor-General, Performance Audit is the Senior Executive Responsible for Business Integrity Risk (SERBIR). The SERBIR gives presentations to Audit Office staff at All Staff Meetings and in doing so discusses Audit Office integrity and the responsibility of all staff to identify and report any concerns they might have with respect to unethical or inappropriate behaviour. Any revisions and updates to the Office's policies and procedures are also promoted and discussed at All Staff Meetings.

The SERBIR also provides a twice-yearly report to the Office's Audit and Review Committee, which focuses on:

- the status of integrity and fraud and corruption prevention policy and procedural guidance in the Audit Office - this guidance is an important means of control for business integrity risk;
- staff training and awareness raising activities that have been conducted;
- any incidents that have been reported or identified and investigations undertaken in the previous six months;
- the Audit Office's Fraud Risk Register, identifying integrity and fraud-related risks and sources of assurance with respect to existing controls; and
- any integrity and fraud risks and challenges that have been identified for the forthcoming six months.

No fraudulent or corrupt activity was identified or reported during 2021-22.

Further information can be obtained from:

Mr Brett Stanton	SERBIR	(02) 6207 9534	brett.stanton@act.gov.au
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B.7 Freedom of information

The ACT Freedom of Information (FOI) legislation provides a legal right of access by everybody to information in the possession of the ACT Government, subject only to exemptions to protect the public interest, and the interests of third parties who deal with the ACT Government.

B.7.1 Open access information

During the period 1 July 2021 to 30 June 2022 the Audit Office:

- did not publish any documents on the Open Access website;
- did not make any decisions to withhold Open Access Information; and
- did not make any decisions not to publish a description of Open Access Information that was withheld.

B.7.2 FOI applications received and decision type

During the period 1 July 2021 to 30 June 2022 the Audit Office:

- did not receive any access applications;
- did not receive any applications where access to all information requested was given;
- did not receive any applications where access to only some of the information requested was given (Partial release); and
- did not receive any applications where access to the information was refused.

B.7.3 FOI processing timeframe

During the period 1 July 2021 to 30 June 2022 the Audit Office did not receive any applications.

B.7.4 Amendment to personal information

During the period 1 July 2021 to 30 June 2022 the Audit Office did not receive any requests to amend personal information.

B.7.5 Reviews and fees

During the period 1 July 2021 to 30 June 2022 there were:

- no applications made to the Ombudsman under section 74;
- no applications made to ACAT under section 84; and
- no charges or application fees were collected.

B.7.6 Process to lodge a request

To lodge a request for access to documents under the *Freedom of Information Act 2016* (FOI Act), you must do so in writing, noting that you are seeking access under the FOI Act.

To lodge a Freedom of Information request, or for further information about FOI legislation and processes, contact the FOI Coordinator for the ACT Audit Office at:

<https://www.audit.act.gov.au/contact-us>

The ACT Audit Office FOI Disclosure log can be accessed at:

<https://www.audit.act.gov.au/about-us/freedom-of-information>

Further information can be obtained from:

Ms Taylah Commisso	Freedom of Information Coordinator	(02) 6207 0833	taylah.commisso@act.gov.au
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B.8 Community engagement and support

B.8.1 Community engagement activities

As described in Section B.2.3 'Performance audits', the Audit Office has robust planning, consultation and topic selection processes for the annual performance audit program. Community views are received through consultation with key community groups and other representative bodies, the Standing Committee on Public Accounts (PAC) and Members of the ACT Legislative Assembly (MLAs).

The performance audit program is also informed by representations received directly from community groups or individual members of the community or MLAs. In 2021-22, the Audit Office received 30 representations. Information received from the community through representations is used to inform the development of the performance audit program and selection of topics.

B.8.2 Community support initiatives: Grants and sponsorship

The Audit Office did not provide any grants, assistance or sponsorship programs during 2021-22.

B.9 Aboriginal and Torres Strait Islander reporting

The *Aboriginal and Torres Strait Islander Procurement Policy (July 2019)* applies to all Territory entities covered by the *Government Procurement Act 2001*, and as such, applies to the Audit Office. The aim of the *Aboriginal and Torres Strait Islander Procurement Policy* is to support the advancement of Aboriginal and Torres Strait Islander Enterprises in the

Canberra Region and the economic participation objectives of the *ACT Aboriginal and Torres Strait Islander Agreement 2019-28*.

Under the *Aboriginal and Torres Strait Islander Procurement Policy*, Territory entities are required to identify and act upon opportunities for Aboriginal and Torres Strait Islander Enterprises in their procurement activities and to encourage quotes from relevant Aboriginal and Torres Strait Islander enterprises, where possible. The Audit Office takes this policy into consideration in its procurement processes.

The Audit Office endeavours to report on issues affecting Aboriginal and Torres Strait Islander people through its performance audits.

In 2021-22, a performance audit recommenced in relation to the implementation of the *Aboriginal and Torres Strait Islander Agreement 2019-2028* (the Agreement). The audit is considering the governance, monitoring, and reporting associated with the Agreement's implementation. It is also reviewing the activities of the Office of the Aboriginal and Torres Strait Islander Affairs as well as ACT Government directorates to implement the Agreement and consider the views of community stakeholders as part of the activities. The audit is expected to be tabled in the fourth quarter of 2022.

In 2021-22 a performance audit was also commenced of *A Step Up for our Kids* as administered by ACT Together (Barnardos) and Uniting Children and Families ACT (CFACT) and oversighted by the Community Services Directorate. The audit is considering the governance and administrative arrangements, performance management and monitoring and measures put in place to ensure culturally appropriate care is provided to Aboriginal and Torres Strait Islander children and young people. This audit is anticipated to be tabled in the first quarter of 2023.

B.10 Work health and safety

The Audit Office is committed to providing a safe and healthy work environment and encourages all staff to contribute to a safe and healthy workplace.

The Audit Office's Workplace Health and Safety Policy and Procedures and Positive Workplace Culture Policy and Procedures are readily accessible to all staff.

B.10.1 Workplace safety representatives

In 2021-22, the Audit Office workplace safety representatives consisted of:

- two Health and Safety Representatives, reducing to one in February 2022;
- one First Aid Officer;

- three Fire Wardens;
- two Respect, Equity and Diversity Officers;
- a Mental Health Champion; and
- a Designated Domestic and Family Violence Officer.

The workplace safety representatives play an active role in the Office to promote health, safety and welfare to all staff.

B.10.2 Health and well-being initiatives

Health and well-being initiatives for the Audit Office include:

- the Employee Assistance Program;
- flexible working arrangements, including agreed days of the week to work from home;
- free influenza vaccinations to all staff;
- mentoring/coaching program;
- open door policy;
- improving hygiene levels and reducing the risk of illness with provision of suitable cleaning products, hand sanitisers and facial tissues;
- regular updates from the Mental Health Champion; and
- supporting Social Committee events including office wide celebrations and fundraising activities.

The Audit Office's work programs and audit completion timeframes can place high demands on some staff at times. The Audit Office actively manages this by forward planning and sharing the workload amongst audit teams to minimise excessive periods of long hours.

The Audit Office provides flexible working arrangements and enables staff to plan their recreational, study and other leave to support a healthy work/life balance.

The administrative nature of audit work means that staff are often at workstations for prolonged periods of time. Staff are encouraged to implement healthy work practices such as improving posture and taking regular breaks from sitting and working at their computers. Workplace safety assessments are performed, including ergonomic workstation assessments in the Office and at home, on an as needed basis. All staff were

provided with an ergonomic assessment of their workstation as part of the move to Office's new premises in March 2022.

During 2021-22, most staff continued to work from home and were responsible for implementing healthy work practices at their home-work stations; staff responsibilities included seeking advice and support from their supervisor and the Office's Professional Services team on any concerns about their ability to implement healthy work practices at home.

The results from the 2022 Audit Office Staff Survey demonstrate that 91 percent of staff feel that they are provided with flexibility to manage their work and personal commitments. The survey results also indicated that 82 percent of staff feel that the Office promotes and supports good mental health and wellbeing.

B.10.3 Legislative compliance

In 2021-22, no enforceable undertaking and improvement, prohibition, or non-disturbance notices were issued to the Audit Office under the parts 10 or 11 of the *Work Health and Safety Act 2011*.

There were no accidents or dangerous occurrences in 2021-22 that required a notice under Part 3, section 38 of the *Work Health and Safety Act 2011*.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.11 Human resources management

B.11.1 Workforce planning

The Audit Office has a *Workforce Planning and Review Policy and Guidelines* (Workforce Plan). This plan assists the Audit Office to determine the mix of experience, knowledge, and skills required to meet its obligations by having the right people, in the right roles, with the right capabilities, at the right time.

The Workforce Plan assists the Audit Office in maintaining adequate staffing levels to complete its program of financial and performance audits and provides professional services support for its operations.

The Audit Office's challenge of continuing to maintain a workforce with the knowledge and experience required to deliver quality work is acknowledged in the Workforce Plan. In

particular, the challenge of provision of sufficient career opportunities in a small agency remains, which leads to difficulty in retaining experienced staff.

The Workforce Plan provides a framework for the continuous development of staff. Some of the mechanisms used by the Audit Office to facilitate this includes maintaining a Professional Development Journey, including a position capability framework, for each staff member (staff previously completed a Performance Development Plan). Staff Professional Development Journeys identify staff's confidence and growth against six capabilities, their learning and development needs and a place to record regular feedback with supervisors.

B.11.2 Forward work and human resource planning

To meet audit timetables, including legislated timelines, the Audit Office plans the allocation of staff to audits and other tasks. The Audit Office uses a forward planning schedule to organise its program of financial and performance audits, including meeting the higher demands of the peak financial audit period (from May to October each year).

The Audit Office considers the need for contracting staff or using consultants from the private sector or outsourcing all or part of an audit, particularly when the Audit Office does not have specialist skills required to complete the audit. The specialist skills often include information technology, actuarial and taxation expertise.

Financial and performance audit staff are assigned to assist in specific corporate tasks as needed. The Audit Office identifies opportunities for staff to undertake a variety of tasks, when possible.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.11.3 Staffing profile

The Auditor-General is appointed as a full-time statutory office holder under the A-G Act. All other staff are employed under the *Public Sector Management Act 1994*.

There were 46 staff (headcount) in the Audit Office (including the Auditor-General) as of 30 June 2022 (45.3 full-time equivalent (FTE) staff). The small size of the Audit Office's workforce means that providing detailed information on some aspects of its workforce could infringe the privacy of individual staff. Therefore, the Audit Office has only provided general information on:

- the average length of service by gender and age group;

- the age profile of staff; and
- certain equity and diversity groups.

Table B-6: Full-time equivalent and headcount by division/branch

Operational area	FTE	Headcount
Executive	3.6	4
Financial Audit	24.0	24
Performance Audit	12.7	13
Professional Services	5.0	5
Total	45.3	46

Source: Shared Services Human Resources

Table B-7: Full-time equivalent and head count by gender

	Female	Male	Total
Full-time equivalent	22.6	22.7	45.3
Headcount	23	23	46
Percentage of workforce (based on headcount)	50.0%	50.0%	100%

Source: Shared Services Human Resources

Table B-8: Head count by classification and gender

Classification	Female	Male	Total
Statutory office holder	0	1	1
Executives	1	2	3
Professional and administrative officers	22	20	42
Total	23	23	46

Source: Shared Services Human Resources

Table B-9: Head count by employment category and gender

Employment category	Female	Male	Total
Permanent full-time	18	19	37
Permanent part-time	0	1	1
Temporary full-time	4	3	7
Temporary part-time	1	0	1
Casual	0	0	0
Total	23	23	46

Source: Shared Services Human Resources

B.11.4 Workplace diversity

Staff who have advised they are from culturally and linguistically diverse backgrounds represent 45.7 percent of the workforce. No staff member has advised that they are Aboriginal and/or Torres Strait Islander. No staff have advised they have a disability.

B.11.5 Age profile

Due to the small numbers in most categories, staff numbers by age group and gender are not reported in order to protect the privacy of individuals. The largest group, 70 percent of staff, are aged under 44 years and 30 percent of staff are aged 45 or over.

Table B-10: Average length of service (years) by gender

Gender	Female	Male	Average
Average length of service (years)	3.4	8.0	5.7

Source: Shared Services Human Resources

Table B-11: Recruitment and separation rates

	Recruitment rate	Separation rate
Audit Office	25.3%	19.7%

Source: Shared Services Human Resources

B.11.6 Learning and development

The Audit Office's Learning and Development approach aims to build and develop capabilities, knowledge and skills to support the Audit Office to meet its audit responsibilities in an effective and efficient manner and the professional growth of its staff.

The Audit Office supports learning and development activities in relation to technical and professional needs of the Audit Office and its staff in key areas such as audit, accounting, information technology, leadership, communication, public sector matters and management skills.

The Audit Office has supported the following learning and development activities in 2021-22:

- formal training;
- mentoring;
- secondments;
- seminars/conferences;

- education courses;
- study assistance;
- coaching;
- on-the-job training; and
- professional memberships.

In addition, professional development and technical training was provided on financial and performance audit methods and practices; and changes to accounting and auditing standards.

In 2021-22, the Audit Office also supported staff through study assistance which included providing study leave and financial assistance for course costs.

The Audit Office also encourages professional membership of relevant bodies, such as the Chartered Accountants Australia and New Zealand, Institute of Internal Auditors, CPA Australia or the Information Systems Audit and Control Association.

The results from the 2022 Audit Office Staff Survey demonstrate that 79 percent of staff feel that they are encouraged to pursue training and development opportunities.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.12 Ecologically sustainable development

The Audit Office accords with, and contributes to, the principles of ecologically sustainable development (ESD) under the *Climate Change and Greenhouse Gas Reduction Act 2010* and the *Environment Protection Act 1997*.

Staff are encouraged to assist in reducing the Audit Office's ecological footprint by:

- minimising the number of printed documents, particularly those in colour, and using duplex printing;
- recycling paper using the appropriate bins;
- using electronic audit work papers;
- turning off lights and computer equipment and monitors when not in use; and

- using public transport and walking to audit locations.

The Audit Office also uses:

- carbon neutral printing paper;
- toner cartridges that can be recycled; and
- a waste disposal system that separately disposes recyclable material and other non-recyclable material.

Ecologically sustainable development issues may also be considered as part of performance audits that focus on the delivery of public services.

Table B-12: Audit Office staff and floor area

Staff and area	Unit	2021-22	2020-21	Percentage change
Staff	FTE	45.3	45.2	(0.1%)
Workplace floor area	Area (m ²)	617	1 075	(42.6%)

Source: Data from Shared Services Human Resources, Audit Office records and advice from ACT Property Group

Table B-12 includes the workplace floor area occupied by full-time equivalent (FTE) staff employed at the end of each reporting period by the Audit Office.

The Audit Office had 45.3 FTE staff as of 30 June 2022 compared to 45.2 FTE staff as of 30 June 2021. From 1 July 2021 to 15 March 2022, the Audit Office occupied 1 075 square metres in temporary accommodation at 5 Constitution Avenue. The Audit Office moved to the Nara Centre, 3 Constitution Avenue on 16 March 2022 and now occupies 617 square metres.

Table B-13: Sustainable development performance: Current and Previous Financial Year

Indicator as at 30 June	Unit	2021-22	2020-21	Percentage change
Stationary energy usage				
Electricity use	Kilowatt hours	72 861	92 393	(21%)
Natural Gas use	Megajoules	184 728	144 750	27%
Diesel use (non-transport)	Kilolitres	0	0	- %
Transport fuel usage				
Electric vehicles	Number	0	0	- %
Hybrid vehicles	Number	0	0	- %
Hydrogen vehicles	Number	0	0	- %

Indicator as at 30 June	Unit	2021-22	2020-21	Percentage change
Total number of vehicles	Number	2	1	100%
Fuel use – Petrol	Kilolitres	0.08	0.01	700%
Fuel use – Diesel	Kilolitres	0	0	- %
Fuel use – Liquid Petroleum Gas (CNG)	Kilolitres	0	0	- %
Fuel use – Compressed Natural Gas (CNG)	Gigajoules	0	0	- %
Water usage				
Water use	Kilolitres	38	67	(43%)
Resource efficiency and waste				
Reams of paper purchased	Reams	27	101	(73%)
Recycled content of paper purchased	Percentage	56%	100%	(44%)
Waste to landfill	Litres	4 927	22 198	(78%)
Co-mingled material recycled	Litres	4 540	10 348	(56%)
Paper & Cardboard recycled (incl. secure paper)	Litres	5 112	7 420	(31%)
Organic material recycled	Litres	4	0	- %
Greenhouse gas emissions				
Emissions from natural gas use (non-transport)	Tonnes CO ₂ -e	7.32	7.46	(2%)
Emissions diesel use (non-transport)	Tonnes CO ₂ -e	0	0	- %
Emissions from transport fuel use	Tonnes CO ₂ -e	0.2	0.03	567%
Total emissions	Tonnes CO ₂ -e	7.52	7.49	0.4%

Source: Environment, Planning and Sustainable Development Directorate and Audit Office records

Notes: There was no organic material recycling service at Customs House (2020-21)

The Audit Office's natural gas increased in 2021-22. This may be attributed to the Office occupying a larger floor area in 5 Constitution Avenue.

The Audit Office leases one Executive Vehicle which is also used by staff for business related travel. The Office leased the vehicle on a 36-month contract which ended in February 2022. There was an option to extend the lease for a further 12 months or seek a replacement vehicle and enter into a new lease agreement. The Audit Office proceeded with a new lease agreement which commenced in February 2022 for a 48-month contract.

Table B-13 represents the estimated fuel usage and greenhouse gas emissions for business purposes only. The kilometres travelled for business purposes in 2021-22 are higher than

in the prior year as a consequence of recommencement of face-to-face meetings. Fuel use for business purposes is estimated by apportioning total fuel use on the basis of kilometres driven. The increase in fuel use is consistent with the increase in kilometres travelled.

The transport fuel emissions reported in the Audit Office's 2020-21 Annual Report of 0.3 has been corrected to 0.03 to accurately represent emissions produced from business purposes only. This has also reduced the total emissions reported in the 2020-21 report from 7.76 to 7.49.

The Audit Office continues to promote the minimisation of paper usage by using electronic practices where possible. The Audit Office's paper consumption has reduced by 73 percent for 2021-22 and is expected to remain minimal in the coming years.

As part of facilities management arrangements for the Nara Centre, the Audit Office has been provided with waste facilities for general waste, mixed recycling, organics, and secure paper. ACT Property Group provided the Audit Office with the waste data for 2021-22. The waste data was apportioned according to the Audit Office's floor area. The Audit Office has requested that ACT Property Group consider seeking accreditation for the Nara Centre under the ACT Government Business Recycling Program.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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C FINANCIAL MANAGEMENT REPORTING

C.1 Financial management analysis

This section discusses the ACT Audit Office's (Audit Office) financial results and presents estimates of amounts contained in the 2021-22 Budget Papers.

C.1.1 Operating results

The Audit Office made an *operating surplus* of \$1,136,000 in 2021-22 compared to the budgeted operating deficit of \$107,000 and an operating deficit of \$297,000 in 2020-21. The significantly better operating result compared to the budget is largely due to lower employee expenses and contractor and consultant costs. The variance from the last year is due to increased audit fees (\$503,000) and appropriation (\$512,000).

The Audit Office has been continually working on measures to improve its financial position. This includes optimising the collection of financial audit fees to recover the total cost of service delivery.

C.1.2 Financial results

The Audit Office's income is mainly comprised of *financial audit fees* and *appropriation*. *Financial audit fees* are charged for auditing the financial statements and performing limited assurance engagement on the statements of performance of reporting agencies. Information on the setting of *financial audit fees* is provided in Appendix A 'Financial Audit Fees'. Other costs funded by *financial audit fees* and *appropriation* include reviewing ACT Government Accounting Policies, reporting on the results of the annual program of financial audits, a portion of the learning and development program for staff and other administrative expenses such as accommodation and information technology costs.

Appropriation received from the ACT Government mainly funds the costs of performance audits, briefing the Standing Committee on Public Accounts on reports tabled in the Legislative Assembly, responding to representations and public interest disclosures, production of the Audit Office's Annual Report, a portion of the learning and development program for staff and other administrative expenses such as accommodation and information technology costs.

Expenses are mainly comprised of employee expenses and supplies and services costs. Supplies and services costs include contractors and consultants, accommodation, information technology, recruitment, training and printing costs.

Table C-1: Financial results

	2019-20 Actual \$ 000	2020-21 Actual \$ 000	2021-22 Actual \$ 000	2021-22 Budget \$ 000
INCOME				
Financial audit fees	4 810	4 778	5 281	5 686
Appropriation – controlled recurrent payments	3 124	3 546	4 058	4 058
Other income	106	82	88	59
Total income	8 040	8 406	9 427	9 803
EXPENSES				
Employee expenses	6 392	6 541	6 484	7 537
Supplies and services	2 576	2 121	1 792	2 301
Depreciation	66	41	16	72
Total expenses	9 034	8 703	8 291	9 910
Operating (deficit)/surplus	(994)	(297)	1 136	(107)
Increase in the asset revaluation surplus	-	-	-	-
Total comprehensive (deficit)/surplus	(994)	(297)	1 136	(107)

Source: Audit Office's audited 2019-20, 2020-21 and 2021-22 financial statements and 2021-22 budget papers.

C.1.3 Income

C.1.3.1 Income compared to budget estimates

Total income (\$9.427 million) was less than the budgeted amount (\$9.803 million) mainly due to *Financial audit fees* (\$5.281 million) being seven percent lower than the budgeted amount of \$5.686 million. The *Financial audit fees* were lower as a result of the lower than anticipated progress of June 2022 audits resulting in lower accrued revenue at the end of the year (42 percent) compared to the budget (50 percent).

C.1.3.2 Income compared to previous year's income

Total income (\$9.427 million) was higher than the previous year's amount (\$8.406 million) mainly due to the increase in *Financial audit fees* and additional *Appropriation* for performance audits.

Financial audit fees were higher as a result of an increase in the charge-out rate. The charge out rate was changed based on a recommendation from an independent review of the Audit Office's 'Cost Allocation and Recovery Policy' conducted in June 2021.

C.1.3.3 Expenses compared to budget estimates

Total expenses (\$8.291 million) were around 16 percent lower than the budget estimate (\$9.910 million) due to lower *Employee expenses* and *Supplies and services expenses*.

Employee expenses were \$1.053 million (14 percent) lower than the budget mainly due to:

- vacant positions as a result of staff turnover and non-availability of suitable candidates to fill some of the positions;
- lower than anticipated expenses relating to liabilities for long service leave and annual leave due to lower leave balances held by staff transferring to the Office from other agencies; and
- a decrease in the discount rate used to calculate the present value of long service leave liabilities.

Supplies and services expenses were \$0.509 million (22.1 percent) lower than the budget mainly due to the underspend in contractors and consultants by \$0.357 million. The performance audit team actual was less than the budget by \$0.230m due to the timing of various reviews which impacted on the requirement for contractors. The financial audit contractor costs were less than the budget by \$0.188m as experienced auditors were not available in the market.

C.1.3.4 Expenses compared to previous year's expenses

Total expenses (\$8.291 million) in 2021-22 was lower than 2020-21 (\$8.703 million) mainly due to lower *Supplies and services expenses* (\$0.329 million).

Supplies and services expenses decreased by \$0.329 million (16 percent) largely as a result of the lower usage of contractors and consultants. This occurred as a result of timing of performance audits and the non-availability of contractors for financial audits as previously discussed.

C.1.4 Financial position

The Audit Office's ability to meet its liabilities are discussed below.

Table C-2: Current financial position

At 30 June 2022	2019-20 Actual \$ 000	2020-21 Actual \$ 000	2021-22 Actual \$ 000	2021-22 Budget \$ 000
Current assets	2 570	3 010	4 259	4 369
Current liabilities	1 901	2 669	2 736	3 112
Net current assets/(liabilities)	669	341	1 524	1 257
Current ratio	1.35	1.13	1.56	1.40

Source: Audit Office's audited 2019-20, 2020-21 and 2021-22 financial statements and 2021-22 budget papers.

The Audit Office has sufficient current assets to meet its current liabilities as there was \$1.56 in current assets available to meet each dollar of current liabilities at 30 June 2022. This position is better than the budget as the closing cash balance was higher than the anticipated cash balance as a result of better operating performance.

Table C-3: Long-term financial position

At 30 June 2022	2019-20 Actual \$ 000	2020-21 Actual \$ 000	2021-22 Actual \$ 000	2021-22 Budget \$ 000
Current assets	2 570	3 010	4 259	4 369
Total liabilities	2 174	2 886	3 047	3 378
Net long-term financial position	396	124	1 212	992
Ratio of current assets to total liabilities	1.18	1.04	1.40	1.29

Source: Audit Office's audited 2019-20, 2020-21 and 2021-22 financial statements and 2021-22 budget papers.

The long-term financial position at 30 June 2022 was stronger than the budget and prior year. The Audit Office in 2021-22 has a strong financial position. The Office plans to further improve its financial position over the next few years using a combination of measures, including additional appropriation, optimising the cost recovery from agencies and reviewing the Audit Office's overall operating costs.

Further information can be obtained from:

Mr Basu Banka	Chief Finance Officer, Professional Services	(02) 6207 0987	basu.banka@act.gov.au
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C.2 Financial statements

ACT AUDIT OFFICE

FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2022

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2022, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Statement of Cash Flows;

Statement of Appropriation; and

Notes to the Financial Statements;

are in agreement with the ACT Audit Office's accounts and records and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2022 and the financial position of the ACT Audit Office on that date.



Michael Harris
Auditor-General

28 September 2022

ACT AUDIT OFFICE
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2022

STATEMENT BY THE CHIEF OPERATING OFFICER

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2022, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Statement of Cash Flows;

Statement of Appropriation; and

Notes to the Financial Statements;

have been prepared in accordance with the Australian Accounting Standards, are in agreement with the ACT Audit Office's accounts and records, and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2022 and financial position of the ACT Audit Office on that date.



Caroline Smith
Chief Operating Officer, Professional Services

28 September 2022

Auditor's Report



INDEPENDENT AUDITOR'S REPORT ON THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2022

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

Opinion

I have audited the financial statements of the ACT Audit Office for the year ended 30 June 2022 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, statement of appropriation, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements:

- (i) present fairly, in all material respects, the ACT Audit Office's financial position as at 30 June 2022, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

I conducted the audit in accordance with the Australian Auditing Standards. My responsibilities under the standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report.

I am independent of the ACT Audit Office in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code). I have also fulfilled my other ethical responsibilities in accordance with the Code.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities for the financial statements

The Auditor-General is responsible for:

- preparing and fairly presenting the financial statements in accordance with the *Financial Management Act 1996* and relevant Australian Accounting Standards;
- determining the internal controls necessary for the preparation and fair presentation of financial statements so that they are free from material misstatements, whether due to error or fraud; and
- assessing the ability of the ACT Audit Office to continue as a going concern and disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting in preparing the financial statements.

Auditor's responsibilities for the audit of the financial statements

Under the *Financial Management Act 1996*, Charterpoint is responsible for issuing an audit report that includes an independent opinion on the financial statements of the ACT Audit Office.

Auditor's Report (continued)

charterpoint.

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the ACT Audit Office's internal controls;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the ACT Audit Office;
- conclude on the appropriateness of the ACT Audit Office's use of the going concern basis of accounting and, based on audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ACT Audit Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in this report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the ACT Audit Office to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Auditor-General regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Adrian Kelly
Registered Company Auditor

Dated this 28th day of September 2022

ACT AUDIT OFFICE

OPERATING STATEMENT

YEAR ENDED 30 JUNE 2022

	Note No.	Actual 2021-22 \$ 000	Budget 2021-22 \$ 000	Actual 2020-21 \$ 000
INCOME				
Revenue				
Financial audit fees	2	5 281	5 686	4 778
Appropriation		4 058	4 058	3 546
Other income		88	59	82
<i>Total revenue</i>		9 427	9 803	8 406
Total income		9 427	9 803	8 406
EXPENSES				
Employee expenses	3	6 484	7 537	6 541
Supplies and services	4	1 792	2 301	2 121
Depreciation		16	72	41
Total expenses		8 291	9 910	8 703
Operating surplus/(deficit)		1 136	(107)	(297)
Total comprehensive surplus/(deficit)		1 136	(107)	(297)

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

ACT AUDIT OFFICE

BALANCE SHEET
AT 30 JUNE 2022

	Note No.	Actual 2022 \$ 000	Budget 2022 \$ 000	Actual 2021 \$ 000
ASSETS				
Current assets				
Cash	7	3 368	2 069	1 693
Receivables	6	848	2 260	1 271
Other assets		44	40	47
Total current assets		4 259	4 369	3 010
Non-current assets				
Right-of-use Motor Vehicle	5	59	(6)	10
Total non-current assets		59	(6)	10
Total assets		4 318	4 363	3 020
LIABILITIES				
Current liabilities				
Payables	8	795	358	470
Contract Liabilities	9	80	-	365
Employee benefits	3	1 861	2 754	1 834
Total current liabilities		2 736	3 112	2 304
Non-current liabilities				
Employee benefits	3	254	266	206
Motor Vehicle Lease		58	-	10
Total non-current liabilities		312	266	216
Total liabilities		3 047	3 378	2 520
NET ASSETS		1 271	985	500
EQUITY				
Accumulated funds		1 271	701	(149)
Asset revaluation surplus	5	-	284	284
TOTAL EQUITY		1 271	985	135

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

ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2022

Year ended 31 June 2022				
	Accumulated	Asset		
	Funds	Revaluation	Total Equity	Total Equity
	Actual	Surplus	Actual	Budget
	2021-22	2021-22	2021-22	2021-22
	\$ 000	\$ 000	\$ 000	\$ 000
Balance at 1 July 2021	(149)	284	135	1 092
Comprehensive surplus/(deficit)				
Operating surplus/(deficit)	1 136	-	1 136	(107)
Increase/(Decrease) in the Asset Revaluation Surplus	284	(284)	-	-
Total comprehensive surplus/(deficit)	1 420	(284)	1 136	(107)
Balance at 30 June 2022	1 271	-	1 271	985

Year ended 30 June 2021				
	Accumulated	Asset		
	Funds	Revaluation	Total Equity	Total Equity
	Actual	Surplus	Actual	Budget
	2019-20	2019-20	2019-20	2019-20
	\$ 000	\$ 000	\$ 000	\$ 000
Balance at 1 July 2020	148	284	432	429
Comprehensive surplus/(deficit)				
Operating surplus/(deficit)	(297)	-	(297)	(647)
Total comprehensive surplus/(deficit)	(297)	-	(297)	(647)
Balance at 30 June 2021	(149)	284	135	(218)

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

ACT AUDIT OFFICE

STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2022

	Note No.	Actual 2021-22 \$ 000	Budget 2021-22 \$ 000	Actual 2020-21 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
Financial audit fees		5 485	5 686	5 787
Appropriation		4 058	4 058	3 546
Other receipts		293	257	593
Total receipts from operating activities		9 836	10 001	9 926
PAYMENTS				
Employee payments		(6 410)	(6 870)	(6 421)
Payments for supplies and services		(1 538)	(2 554)	(1 924)
Other payments		(213)	(201)	(485)
Total payments from operating activities		(8 161)	(9 625)	(8 830)
Net cash inflows/(outflows) from operating activities	7	1 675	376	1096
Net increase/(decrease) in cash		1 675	376	1 096
Cash at the beginning of the reporting period		1 693	1 693	597
Cash at the end of the reporting period	7	3 368	2 069	1 693

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

ACT AUDIT OFFICE

STATEMENT OF APPROPRIATION
YEAR ENDED 30 JUNE 2022

	Budget Appropriation 2021-22 \$ 000	Total Appropriated 2021-22 \$ 000	Appropriation Drawn 2021-22 \$ 000	Appropriation Drawn 2020-21 \$ 000
Controlled recurrent payments	4 058	4 058	4 058	3 546
Total appropriation	4 058	4 058	4 058	3 546

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

Notes

Controlled recurrent payments is recognised as revenue on receipt.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note Index

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ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2022****Note 1. About these financial statements****Our objectives**

The ACT Audit Office (Audit Office) provides an independent view to the ACT Legislative Assembly and community on the accountability, efficiency, and effectiveness of the ACT Public Sector; fosters accountability in the public administration of the Territory; and promotes efficiency and effectiveness in the delivery of public services and programs provided by the Territory.

Basis of preparation

The Audit Office is a not-for-profit reporting entity, established under the *Audit Act 1989*, that prepares general purpose financial statements intended to meet the needs of users who cannot require an entity to prepare reports tailored to their information needs.

These general-purpose financial statements have been prepared in accordance with applicable Australian Accounting Standards, which include interpretations issued by the Australian Accounting Standards Board, as required by the *Financial Management Act 1996*. These statements also comply with the ACT accounting and disclosure policies.

The financial statements comprise the following:

- an operating statement, which identifies revenues and expenses and financial results for the year;
- a balance sheet, which identifies the assets, liabilities, and residual equity as at balance date;
- a statement of changes in equity, accumulated surpluses and reserves and their changes;
- a statement of cash flows, which provides information about the historical changes in cash and cash equivalents and classifies cash flows from operating, investing and financing activities;

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 1. About these financial statements (continued)

- a statement of appropriation which provides information on cash appropriations received; and
- notes providing descriptions of items and recognition.

The financial statements:

- apply the historical cost basis unless a different measurement basis is specifically disclosed in the note associated with the item measured;
- contain certain significant accounting estimates and assumptions and reflect the exercise of professional judgement based on historical experience and various other factors considered reasonable in the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision;
- contains information that is material. Omitting or misstating information is material where the omission or misstatement could influence decisions that users of the financial statements make based on the financial information provided; and
- are in Australian dollars with all amounts rounded to the nearest \$1,000, unless otherwise stated.

The *Financial Management Act 1996* also requires the financial statements to include budget information to facilitate a comparison with the budget papers. Budget amounts disclosed in the financial statements are from the 2021-22 Budget Statements.

Material variances from the budget and prior year are explained in the relevant notes to the account balance.

There is no material impact of Australian Accounting Standards issued that apply to the future reporting periods.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 2. Funding for the delivery of audit services

To fund the objectives, the Audit Office has two primary sources of revenue – appropriation and financial audit fees.

Appropriation (Controlled recurrent payments)

The Statement of Appropriation contains details of the controlled recurrent payments.

Financial audit fees

Fees are charged for auditing financial statements and undertaking limited assurance engagements on the statements of performance of ACT Public Sector auditees.

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
General Government Sector	3 709	3 125
Public Trading Enterprises	708	656
Other	864	997
Total financial audit fees	5 281	4 778

Variance explanation**Budget**

Financial audit fees (\$5.281 million) were seven percent lower than the budget. The financial audit fees were lower as a result of the lower than anticipated progress of June 2022 audits resulting in less accrued revenue at the end of the year (42 percent) compared to the budget (50 percent).

Prior year

Financial audit fees were higher than last year by \$503,000 (11 percent) mainly due to the increase in the charge-out rate. The charge out rate was changed based on a recommendation from an independent review of the Audit Office's 'Cost Allocation and Recovery Policy' conducted in June 2021.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 2. Funding for the delivery of audit services (continued)

Financial audit fee accounting policy

Revenue from the provision of financial audit services is recognised over time as the Audit Office satisfies its performance obligation completing the audit work. For audits performed by staff, the stage of completion of audit work for each financial audit is estimated by using an input method of 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 amounts recovered or recoverable from auditees for amounts billed to the Audit Office by the financial audit contractors, information technology consultants, tax experts, actuaries and other experts.

Significant estimates and judgements

The Audit Office has made a significant estimate that included assumptions about when the financial audit fees are recognised as revenue according to the estimated stage of completion of each audit. This is based on an estimate of the total number of hours that will be required to complete each audit.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 3. The cost of delivering audit services

The costs of delivering audit services mainly include employee expenses and, supplies and services expenses (Note 4).

Employee expenses

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Salaries	5 454	5 516
Superannuation	874	850
Annual leave	26	80
Long service leave	16	22
Fringe benefits tax	20	22
Motor vehicle running costs	4	(4)
Other Employee Benefits	14	-
Workers' compensation insurance premium	75	54
Total employee expenses	6 484	6 541

Variance explanation**Budget**

Employee expenses were \$1,053,000 (14 percent) lower than the budget mainly due to:

- vacant positions as a result of staff turnover and non-availability of suitable candidates to fill some of the positions; and
- a decrease in the discount rate used to calculate the present value of long service leave liabilities.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 3. The cost of delivering audit services (continued)**Nature and classification**

Employee benefits liabilities classified as current and non-current liabilities in the balance sheet were:

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Current - due at the reporting date		
Accrued salaries	156	124
Accrued other employee benefits	5	5
Annual leave	749	723
Long service leave	951	982
Sub-total	1 861	1 834
Non-current - not due at the reporting date		
Long service leave	254	206
Sub-total	254	206
Total employee benefits	2 114	2 040

Variance explanation**Budget**

Employee benefits were \$906,000 (30 percent) lower than the budget mainly due to:

- vacant positions as a result of staff turnover and non-availability of suitable candidates to fill some of the positions;
- lower than anticipated expenses relating to liabilities for long service leave and annual leave due to lower leave balances held by staff transferring to the Audit Office from other agencies; and
- a decrease in the discount rate used to calculate the present value of long service leave liabilities.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 3. The cost of delivering audit services (continued)**Accrued salaries accounting policy**

Accrued salaries are measured at the amount that remain unpaid to employees at the end of the reporting period.

Annual and long service leave accounting policy

Annual and long service leave that is not expected to be wholly settled within 12 months after the end of the reporting period in which employees render the related service are measured at the present value of estimated future payments to be made for the services provided by employees up to the end of reporting period.

Annual leave and long service leave liabilities include estimated on-costs.

Assumptions

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. The rate used to estimate the present value of future payments for annual leave was 101.8 percent at 30 June 2022 (100.2 percent at 30 June 2021).

Long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of seven years, the probability that employees will reach the required minimum period has been considered in estimating the liability for long service leave and applicable on-costs.

The rate used to estimate the present value of future payments for long-service leave was 95.3 percent at 30 June 2022 (108.7 percent at 30 June 2021).

As on-costs become payable only if an employee takes annual and long-service leave while in service, the probability of this occurring has been considered in estimating the liability for on-costs.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 3. The cost of delivering audit services (continued)

Significant estimates and judgements

The estimated liability for annual and long-service leave requires consideration of future wage and salary levels, experience of employee departures, probability that leave will be taken while in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and on-costs will become payable.

The present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the timing or the estimated future cash flows. The judgements and assumptions included in the estimation of annual and long service leave liabilities were determined by the Australian Government Actuary in June 2022.

This assessment is performed every three years. However, it may be performed more frequently if there is an indication that the judgements and assumptions used to estimate the liability are no longer appropriate.

Classification as current and non-current liabilities

Annual leave and long service leave liabilities are classified as current liabilities in the balance sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months.

Conditional long service leave liabilities are classified as non-current as there is an unconditional right to defer the settlement of the liability until the employee has completed the required years of service.

When employees take annual and long service leave, on-costs include annual leave, long service leave, superannuation and other costs that continue to accrue while employees are on leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid.

ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2022****Note 3. The cost of delivering audit services (continued)****Sick leave**

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.

Superannuation

Superannuation payments are made to the Territory Banking Account to cover the Audit Office's liability for commonwealth superannuation and public sector superannuation schemes. This payment covers the required employer contribution. A productivity component is paid directly to Comsuper.

The schemes 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 schemes is recognised in the balance sheet as the total territory superannuation liability is recorded in the financial statements of the Superannuation Provision Account.

Superannuation payments are also made to other schemes. These include the Public Sector Superannuation Scheme Accumulation Plan and schemes chosen by employees. These are accumulation plans. No liability is recognised in the balance sheet for these schemes as the Audit Office's liability is extinguished once superannuation contributions have been paid.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 4. Supplies and services expenses

Supplies and services expenses comprise of audit contractors' and consultants' fees and day to day running costs incurred in normal operations. They are recognised as an expense in the reporting period in which they are incurred.

Nature and classification

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Contractors and consultants:		
Performance audit	104	132
Financial audit	810	1 075
Other	127	139
Sub-total	1 042	1 346
Accommodation lease	237	278
Information technology	238	144
Training	48	34
Printing	14	17
Human Resources	3	3
Recruitment and advertising costs	45	10
Electricity, gas and cleaning	6	15
Telephones	16	26
Travel	0	(1)
Library journals and subscriptions	33	36
Security	14	11
Audit fees	12	13
Services received free of charge	41	50
Other	42	140
Sub-total	750	775
Total supplies and services	1 792	2 121

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 4. Supplies and services expenses (continued)**Variance explanation****Budget**

Supplies and services expenses (\$1,792,000) were lower than the budget estimate (\$2,301,000) mainly due to the underspend in contractors and consultants by 0.357 million.

Prior year

Supplies and services expenses decreased by \$0.329 million (16 percent) largely as a result of the lower usage of contractors and consultants.

Commitments to contractors (inclusive of GST)

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Not later than one year	684	792
Later than one year and not later than five years	1 075	1 607
Total commitments to contractors	1 759	2 399

Variance explanation**Prior year**

The decrease in commitments to contractors as at 30 June 2022 reflects the contracts committed in 2021-22.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 5. Assets available to support service delivery

The Audit Office's main asset is a right-of-use motor vehicle.

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Office fit-out (at fair value)	-	176
Less: Accumulated depreciation	-	(176)
Total Office fit-out	-	-
Right-of-use Motor Vehicle at cost	110	45
Less: Accumulated depreciation	(51)	(35)
Total Right-of-use Motor Vehicle at cost	59	10

Right-of-use motor vehicle variance explanation**Budget**

Right-of-use motor vehicle at cost (\$59,000) were higher than the budget estimate by \$65,000 due to the leasing of a new executive vehicle which was not budgeted.

Prior year

Right-of-use motor vehicle at cost (\$59,000) were higher than the last year by \$49,000 due to the leasing of a new executive vehicle.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 5. Assets available to support service delivery (continued)**Accounting policy**

Office fit-out is measured at fair value. Fair value is determined by an independent valuer once every three years using the estimated cost of replacing the service capacity (optimised depreciated replacement cost). The last valuation was undertaken on 30 June 2017. The Audit Office moved to Nara House in March 2022, the fixed assets of the new accommodation are owned and managed by ACT Property Group and accounted for in their books of account.

Expenditure on plant and equipment is recognised as an asset when the expenditure exceeds \$2,000, otherwise it is expensed.

Reconciliation of the Asset Revaluation Surplus	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Balance at the beginning of the reporting period	284	284
Increase/(Decrease) in the Asset Revaluation Reserve	(284)	
Balance at the end of the reporting period	-	284

Depreciation accounting policy

The office fit-out is depreciated over its useful life or the unexpired period of the office accommodation lease, whichever is the shorter period. The useful life is three years.

The Audit Office moved to Nara House in March 2022. The ACT Property Group owns the fit-outs for the new accommodation as per the agreement.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 5. Assets available to support service delivery (continued)

Impairment accounting policy

At each reporting date, an assessment is made as to whether there is an indication that an asset may be impaired.

If there is an indication, then the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of its 'fair value less the cost to sell' and its 'value in use' (optimised depreciated replacement cost).

Impairment losses are the amount by which an asset's carrying amount exceeds its recoverable amount. The impairment loss is recognised against the asset revaluation reserve. Where there is a reserve, an impairment loss is recognised as an expense.

Provision for make good accounting policy

The Audit Office moved to a permanent location (Nara House) in March 2022. The make-good provision of the new accommodation has been recognised by ACT Property Group.

Right-of-use Motor Vehicle

Accounting and depreciation policy

The right-of-use motor vehicle is measured at cost and depreciated from the commencement date to its useful life or the end of the lease term, whichever is shorter period. The remaining lease term is 44 months.

Impairment accounting policy

The right-of-use motor vehicle is assessed for impairment at the end of each reporting date.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 5. Assets available to support service delivery (continued)**Commitments**

Commitments for information technology equipment and accommodation (including GST) at 30 June 2022 are as follows.

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Not later than one year	33	41
Later than one year and not later than five years	73	23
Later than five years	9	10
Total other commitments	114	74

The above table does not include the office accommodation rental commitment as the Audit Office has not been issued an occupancy agreement for its current premises as yet. However, ACT Property Group have been invoicing the Audit Office each month since the move to Nara House at a cost of approximately \$21,700 per month.

Variance explanation – prior year

The increase in the commitments is due to additional IT equipment provided to staff during 2021-22.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 6. Receivables

Receivables largely consist of billed and unbilled amounts owing to the Office for financial audits. Accrued financial audit income is unbilled amounts receivable for audit work performed until the end of the reporting period. It includes amounts recoverable from auditees for amounts billed to the Office by the financial audit contractors.

Receivables by class of debtors was as follows:

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Invoiced financial audit debtors	-	1 211
Accrued financial audit income	848	61
Sub-total	848	1 271
Goods and Services Tax - net receivable	-	-
Sub-total	-	-
Total receivables	848	1 271

Variance explanation**Budget**

Receivables of \$848,000 were lower than the budget estimate of \$2,260,000 by \$1,412,000 (62 percent) mainly due to a change in the billing cycle of auditees.

Prior year

Total receivables at 30 June 2022 were lower than the last year actual by \$423,000 (33 percent) mainly because of the lower accrued revenue at year end (42 percent) compared to last year (52 percent).

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 6. Receivables (continued)**Receivables accounting policy**

Receivables are initially measured at fair value and subsequently measured at amortised cost, any adjustments to carrying amounts being recognised in the operating statement as an expense. Receivables are stated at amounts after any allowance for impairment.

The allowance for 'expected credit losses' is measured at the lifetime expected credit losses at each reporting date. The amount for any allowance for impairment of receivables is recorded as an expense in the operating statement.

In accordance with the ACT Policy Disclosure, inter-agency receivables between ACT Government agencies are expected to have low credit risks and therefore agencies are not required to measure any loss allowance for receivables collectible from other ACT Government agencies.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 7. Cash

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Cash at bank	3 368	1 693
Cash as per Cash Flow Statement and Balance Sheet	3 368	1 693

'Bank' means cash held with Westpac that may be withdrawn upon request.

Cash at bank earned an average floating interest rate of 1.28 percent in 2021-22 (1.0 percent in 2020-21).

Variance explanation**Budget**

Total cash was \$1,299,000 higher than the budget estimate of \$2,069,000. This was mainly due to the better than expected operating performance.

Prior year

Total cash at the end of 2021-22 was higher than prior year by \$1,675,000 (98 percent) mainly due to the better operating performance.

Accounting policy

Cash is stated at its nominal amount. For Statement of Cash Flows presentation purposes, it includes petty cash and cash in the bank.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 7. Cash (continued)

Reconciliation of the operating surplus/(deficit) to net cash inflows from operating activities

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Operating surplus/(deficit)	1 136	(297)
Non-cash item		
Motor vehicle depreciation	16	-
Interest on MV Lease		-
Changes in assets and liabilities		
(Increase)/decrease in receivables	424	659
(Increase)/decrease in other assets	2	15
(Increase)/decrease in non-current assets	(64)	
Increase/(Decrease) in payables	325	312
Increase/(Decrease) in contract liabilities	(285)	365
Increase/(Decrease) in employee benefits	74	128
Increase/(Decrease) in other liabilities	48	(86)
Net cash inflows from operating activities	1 675	1 096

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 8. Payables

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Creditors and accruals	795	470
Total payables	795	470

Variance explanation**Budget**

Payables of \$795,000 were higher than the budget estimate of \$358,000 by \$437,000 (122 percent) mainly due to the accrual of accommodation cost for 5 Constitution Avenue.

Prior year

Total payables at 30 June 2022 were higher than the last year actual by \$325,000 (69 percent) mainly because of the accrual of accommodation cost for 5 Constitution Avenue.

Accounting policy

Creditors and accruals are amounts payable for goods and services provided to the Audit Office before the end of the reporting period. They 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 Property Group rental charges invoiced for the Audit Office's temporary accommodation from 1 July 2021 to 15 March 2022 at 5 Constitution Avenue were overdue at 30 June 2022 because the Office disputes the charges and is awaiting a final decision on this matter.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 9. Contract liabilities

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Contract liabilities - revenue received in advance	80	54
Contract liabilities - audit fees invoiced in advance	-	311
Total contract liabilities	80	365

Variance explanation**Budget**

No budget for contract liabilities was anticipated for 2021-22.

Prior year

Total contract liabilities at the end of 2021-22 were lower than prior year by \$285,000 (78 percent) mainly due to the change in billing period to July from June.

Accounting policy

Contract liabilities relate to financial audit fees consideration received in advance or invoiced in advance but not yet received from auditees where the Audit Office has yet to satisfy its performance obligation to complete the audit work. These contract liabilities will be recognised as revenue once the Audit Office has satisfied its performance obligation to complete the audit work. The Audit Office expects all of the contract liabilities at 30 June 2022 will be recognised as revenue during the next reporting period.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 10. Financial instrument exposures

Financial assets comprise of cash and receivables, and financial liabilities including payables. These balances are not exposed to price and currency risk.

The carrying amounts of each category of financial assets and liabilities approximate fair values and are as follows.

	Note No.	Carrying Amount 2022 \$ 000	Fair Value 2022 \$ 000	Carrying Amount 2021 \$ 000	Fair Value 2021 \$ 000
Financial Assets					
Cash	7	3 368	3 368	1 693	1 693
Receivables	6	848	848	1 271	1 271
Total financial assets		4 215	4 215	2 964	2 964
Financial Liabilities					
Payables	8	795	795	470	470
Total financial liabilities		795	795	470	470
Net financial assets		3 420	3 420	2 494	2 494

The Audit Office has sufficient financial assets to meet financial liabilities when they fall due.

Interest rate risk exposure

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 (floating interest rate).

The Audit Office is exposed to movements in the amounts of interest earned on cash. However, as operating cash flows are not significantly dependant on interest earned, there is no significant exposure. Weighted average interest rate at 30 June 2022 was 1.28 percent and 1.0 percent at 30 June 2021. As the rate has not moved and did not vary during the year, a sensitivity analysis of the interest-rate risk has not been performed.

ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2022****Note 10. Financial instrument exposures (continued)**

As receivables and payables are held in non-interest-bearing accounts, there is no exposure to movements in interest rates.

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 and receivables. The Audit Office's maximum exposure to credit risk is limited to the amount of these assets, net of any allowance made for impairment.

Cash is held with a high credit quality financial institution. Nearly all receivables consist of financial audit fees charged to ACT Government agencies and other entities with strong credit histories. These agencies are generally required by legislation to pay the fees. The Audit Office does not hold any financial assets that are past due or impaired.

Credit risk is considered to be low, and there are no significant concentrations of credit risk.

Liquidity risk exposure

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 11. Related parties

Key management personnel

Key management personnel plan, direct and control the Audit Office's activities. The Audit Office's key management personnel are members of the Executive Committee.

2021-2022		
Key Management Personnel	Position	Period in Position
Michael Harris	Auditor-General	1 July 2021 to 30 June 2022
Ajay Sharma	Assistant Auditor-General, Financial Audit	1 July 2021 to 30 June 2022
Brett Stanton	Assistant Auditor-General, Performance Audit	1 July 2021 to 30 June 2022
Caroline Smith	Chief Operating Officer, Professional Services	20 September to 30 June 2022
Erika Hudleston	Acting Chief Operating Officer, Professional Services	1 July 2021 to 19 September 2021

2020-21		
Key Management Personnel	Position	Period in Position
Michael Harris	Auditor-General	1 July 2020 to 30 June 2021
Ajay Sharma	Assistant Auditor-General, Financial Audit	1 July 2020 to 30 June 2021
Brett Stanton	Assistant Auditor-General, Performance Audit	1 July 2020 to 30 June 2021
Erika Hudleston	Acting Senior Director, Professional Services	1 July 2020 to 1 December 2020
Erika Hudleston	Acting Chief Operating Officer, Professional Services	2 December 2020 to 30 June 2021

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2022

Note 11. Related parties (continued)**Remuneration**

Remuneration of the Audit Office's senior executive positions are determined by the ACT Remuneration Tribunal and tabled in the ACT Legislative Assembly.

	Actual 2021-22 \$ 000	Actual 2020-21 \$ 000
Short-term employee benefits	942	979
Post employment benefits	221	194
Other long-term benefits	132	137
Termination benefits	-	-
Remuneration of key management personnel	1 295	1 310

Remuneration of non-executive positions (Senior Director) is determined under the *ACT Public Service Administrative and Related Classifications Enterprise Agreement 2021-2022*.

C.3 Capital works

The Audit Office had no capital projects in 2021-22.

Further information can be obtained from:

Mr Basu Banka	Chief Finance Officer, Professional Services	(02) 6207 0987	basu.banka@act.gov.au
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C.4 Asset management

C.4.1 Assets managed

Assets for Nara House are owned and managed by ACT Property Group.

C.4.2 Accommodation

From 1 July 2021 to 15 March 2022, the Audit Office occupied temporary accommodation at 5 Constitution Avenue (1,075 square metres), which had space for 64 workstations. The Office moved to its permanent accommodation at Nara Centre, 3 Constitution Avenue on 16 March 2022 and occupies 617 square metres. The Office employed 46 staff (headcount) at 30 June 2022 and each staff member is allocated an individual desk.

Further information can be obtained from:

Ms Caroline Smith	Chief Operating Officer, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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C.5 Government contracting

Contracts entered by the Audit Office during 2021-22 with a value of \$25,000 and above are listed in the table below.

Table C-4: Audit Office contracts 2021-22

Contract Number	Contractor Name	Contract Title	Contract amount GST inclusive	Contract execution date	Contract expiry date
M19-05/03	Axiom Associates (Aus) Pty Ltd	FA-Provision of IT audit services to review the IT general contro	\$ 113,091.00	23/09/2019	31/03/2022
FA19/05	CaseWare Australia & New Zealand	Software , Support, Services and As-A-Services Agreement	\$ 190,960.00	06/12/2019	05/12/2024
M20/03-01	KPMG	FA-Provision of financial statement auditor to complete the 201	\$ 48,216.00	07/04/2020	24/09/2021
M20/20-04	Deloitte	FA-Provision of financial statement auditor to complete the 201	\$ 199,012.00	20/04/2020	24/07/2021
M20/22-04	BellchambersBarrett	FA-Provision of financial statement auditor to complete the 201	\$ 59,800.00	22/04/2020	24/07/2021
M20/07-05	BellchambersBarrett	FA-Provision of financial statement auditor to complete the 201	\$ 133,900.00	07/05/2020	24/07/2021
2020.89472.210	Ernst & Young	FA- Audit Services for Icon Water and ActewAGL	\$ 2,474,536.00	01/12/2020	30/06/2025
VP221498	Axiom Associates	FA - Computer Information Systems Audit Services	\$ 145,840.00	17/03/2021	30/07/2021
M21/01-04	Cumpston Sarjeant	FA - Actuarial services for financial audits	\$ 160,000.00	01/04/2021	30/09/2022
VP232622	BellchambersBarrett	FA-Provision of financial statement auditor to complete the 202	\$ 54,600.00	23/04/2021	23/09/2021
VP232622	BellchambersBarrett	FA-Provision of financial statement auditor to complete the 202	\$ 41,600.00	03/05/2021	23/09/2021
M21/30-04	BellchambersBarrett	FA- Tax Services for TCCS & Surburban Land Agency	\$ 53,000.00	30/04/2021	23/09/2025
M21/10-11	Proximity Advisory Services Pty Ltd	PA- Audit services for ESA Fire Trucks	\$ 51,600.00	10/11/2021	31/12/2021
M22/25-02	Axiom Associates (Aus) Pty Ltd	FA - Computer Information Systems Audit Services	\$ 137,783.00	25/02/2022	28/02/2023
M21/10-05	Bendelta PTY LTD	PS - Staff survey	\$ 27,500.00	10/05/2021	30/06/2021
2021-2022.01	North Security Digital Pty Ltd	PS - Security Plans 02/2022	\$ 72,600.00	12/04/2022	01/06/2022
2021-2022.02	Resolution Consulting Services PTY LTD	PA - Performance Audit Services	\$ 73,920.00	01/06/2022	17/08/2022
2021-2022.03	Curijo Pty Ltd	PA - Performance Audit Services	\$ 47,520.00	01/06/2022	30/11/2022
2021-2022.05	BellchambersBarrett	FA - Professional Services	\$ 82,254.84	06/06/2022	30/09/2022

Source: ACT Government Contracts Register

Note: All contracts entered by the Audit Office during 2021-22 with a value of \$25,000 or above were procured via three quotes. There was only one exception for Contract Number FA19/05 Case Ware which was approved by the Auditor-General.

Secure local jobs code requirements were not applicable to any of the contracts the Audit Office entered in 2021-22.

C.6 Statement of performance

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2022

STATEMENT OF RESPONSIBILITY

In my opinion, the Statement of Performance is in agreement with the ACT Audit Office's records and fairly reflects the operational performance of the ACT Audit Office for the year ended 30 June 2022.

A handwritten signature in black ink, appearing to read 'M. L. Harris', with a long horizontal flourish underneath.

Michael Harris
Auditor-General

28 September 2022

ACT AUDIT OFFICE

**STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2022**

STATEMENT BY THE CHIEF OPERATING OFFICER

In my opinion, the Statement of Performance is in agreement with the ACT Audit Office's records and fairly reflects the operational performance of the ACT Audit Office for the year ended 30 June 2022.

A handwritten signature in black ink, consisting of a stylized 'C' followed by a horizontal line and a small flourish.

Caroline Smith
Chief Operating Officer, Professional Services

28 September 2022

Limited Assurance Report



INDEPENDENT LIMITED ASSURANCE REPORT ON THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2022

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

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the ACT Audit Office for the year ended 30 June 2022.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2022 are not in agreement with the ACT Audit Office's records or do not fairly reflect, in all material respects, the performance of the ACT Audit Office, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

I have conducted the engagement in accordance with the Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. My responsibilities under the standard and legislation are described below.

I have complied with the independence and other relevant ethical requirements relating to assurance engagements, and the ACT Audit Office applies Australian Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*.

I believe that sufficient and appropriate evidence was obtained to provide a basis for my conclusion.

Responsibility for preparing and fairly presenting the statement of performance

The Auditor-General is responsible for:

- preparing and fairly presenting the statement of performance in accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*; and
- determining the internal controls necessary for the preparation and fair presentation of the statement of performance so that the results of accountability indicators and accompanying information are free from material misstatements, whether due to error or fraud.

Responsibility for the limited assurance engagement of the statement of performance

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2019*, Charterpoint is responsible for issuing a limited assurance report on the statement of performance of the ACT Audit Office.

My objective is to provide limited assurance on whether anything has come to my attention that indicates the results of the accountability indicators reported in the statement of performance are not in agreement with the ACT Audit Office's records or do not fairly reflect, in all material respects, the performance of the ACT Audit Office, in accordance with the *Financial Management Act 1996*.

In a limited assurance engagement, I perform procedures such as making inquiries with representatives of the ACT Audit Office, performing analytical review procedures and examining selected evidence supporting the results of accountability indicators. The procedures used depend on my judgement, including the assessment of the risks of material misstatement of the results reported for the accountability indicators.

Limited Assurance Report (continued)



Limitations on the scope

The procedures performed in a limited assurance engagement are less in extent than those required in a reasonable assurance engagement and consequently the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, I do not express a reasonable assurance opinion on the statement of performance.

This limited assurance engagement does not provide assurance on the:

- relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets;
- accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations; or
- adequacy of controls implemented by the ACT Audit Office.

A handwritten signature in black ink, appearing to read "A Kelly".

Adrian Kelly
Registered Company Auditor

Dated this 28th day of September 2022

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2022

The ACT Audit Office (Audit Office) provides an independent view to the ACT Legislative Assembly and community on the accountability, efficiency and effectiveness of the ACT Public Sector; fosters accountability in the public administration of the Territory; and promotes efficiency and effectiveness in the delivery of public services and programs provided by the Territory.

The Audit Office meets its objectives largely by auditing the financial statements of the Territory and its agencies and conducting performance audits.

The accountability indicators provide information on the quantity and timeliness of reports and the quality and effectiveness of audit work.

Accountability indicators	Note No.	2021-22 Target	2021-22 Actual	Variance from target
Costs				
Audit cost per hour excluding audit contractor costs	1	\$212	\$186	(12%)
Quantity				
Number of auditor's reports issued on financial statements and compliance auditor's report	2	61	63	3%
Number of limited assurance reports issued on statements of performance	3	30	30	0%
Number of performance audit reports presented to the ACT Legislative Assembly	4	9	7	(22%)

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

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2022

Accountability indicators	Note No.	2021-22 Target	2021-22 Actual	Variance from target
Quality and effectiveness				
Percentage of agencies satisfied with financial audits and compliance audit	5	95%	100%	5%
Percentage of agencies satisfied with performance audits	6	95%	100%	5%
Percentage of agencies satisfied with the potential for financial audit findings and/or recommendations to improve their financial reporting, governance, or internal controls	7	95%	100%	5%
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	8	80%	90%	13%
Timeliness				
Percentage of financial audits completed within the required timetable	9	100%	98%	(2%)
Average period of completion of performance audits	10	7 months	10.9	(56%)
Presentation of summary reports on financial audits to the ACT Legislative Assembly				
1. Financial Audits – Overview		Nov 2021	Nov 2021	0%
2. Financial Audits – Financial Results and Audit Findings		Dec 2021	Dec 2021	0%

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

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022****Note 1. Audit cost per hour excluding audit contractor costs**

This accountability indicator represents the *internal cost per hour* for financial audit and performance audit functions.

Internal costs are calculated by subtracting audit contractor costs and resources received free of charge from total expenses incurred by the Audit Office. *Internal cost per hour* is calculated by dividing internal costs by the number of hours spent by the staff on audits.

The 2021-22 target of \$212 was calculated as budgeted total expenses minus budgeted audit contractor costs for 2021-22 (i.e. \$9,877,686 minus \$1,034,003 equals \$8,843,683) divided by the estimated number of hours to be charged to audits and related activities in 2021-22 (41,645 hours).

Actual audit costs per hour excluding audit contractor costs and resources received free of charge is \$186. This was calculated as the actual cost of \$7,436,266 (i.e. actual total expenses of \$8,291,148 minus audit contractor costs of \$813,692 and resources received free of charge of \$41,190) divided by the actual number of hours charged to audits for 2021-22 of 40,023 hours.

The audit cost per hour excluding audit contractor costs and resources received free of charge is \$186 which is 12 percent lower than the targeted cost of \$212.

Actual cost per hour was below the target cost per hour mainly because of the underspend in employee and contractor costs

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 2. Number of auditor's reports issued on financial statements and compliance auditor's report

This accountability indicator represents the number of auditor's reports issued on financial statements and compliance auditor's reports in 2021-22.

The number of auditor's reports issued on financial statements and compliance auditor's report in 2021-22 (63) was slightly more than the 2021-22 target (61). The Audit Office conducted four audits for the first time that were not included in the 2021-22 target. These were the:

- audit of the financial statements of the Work Health and Safety Commissioner;
- audit of the financial statements of the Teacher Quality Institute;
- acquittal audit of the Disaster Recovery Funding Arrangements; and
- acquittal audit of Commonwealth Funding provided under the Local Roads and Community Infrastructure Program.

These were partially offset by two audits that are no longer required to be performed. These were the financial statement audits of the:

- ACT Compulsory Third-Party Insurance Regulator; and
- Canberra Business Development Fund.

A listing of the auditor's reports issued on financial statements and compliance auditor's reports during 2021-22 is provided in Note 3.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022**

Note 3. Number of limited assurance reports issued on statements of performance

This accountability indicator represents the number of limited assurance reports issued on statements of performance of agencies in 2021-22.

The number of limited assurance reports issued on the statements of performance of agencies in 2021-22 (30) was as per the 2021-22 target (30).

A listing of the limited assurance reports issued on statements of performance during 2021-22 is provided in the following table.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 3. Number of auditor's reports and limited assurance reports issued in 2021-22

This table represents the auditor's reports and limited assurance reports that were issued in the period from 1 July 2021 to 30 June 2022.

No.		Auditor's Reports	No.	Limited Assurance Reports
	Territory financial statements			
1	Consolidated Annual Financial Statements	Unqualified	-	Not applicable
	Directorates			
2	ACT Electoral Commission	Unqualified	-	Not applicable
3	ACT Executive	Unqualified	-	Not applicable
4	ACT Health Directorate	Unqualified	1	Unqualified
5	ACT Integrity Commission	Unqualified	-	Not applicable
6	ACT Local Hospital Network Directorate	Unqualified	2	Unqualified
7	Canberra Health Services	Unqualified	3	Unqualified
8	Chief Minister, Treasury and Economic Development Directorate	Unqualified	4	Unqualified
9	Community Services Directorate	Unqualified	5	Unqualified
10	Education Directorate	Unqualified	6	Unqualified
11	Environment, Planning and Sustainable Development Directorate	Unqualified	7	Unqualified
12	Housing ACT	Unqualified	8	Unqualified
13	Justice and Community Safety Directorate	Unqualified	9	Unqualified
14	Lifetime Care and Support Fund	Unqualified	-	Not applicable
15	Major Projects Canberra	Unqualified	10	Unqualified
16	Office of the Legislative Assembly	Unqualified	11	Unqualified
17	Public Sector Workers Compensation Fund	Unqualified	12	Unqualified
18	Superannuation Provision Account	Unqualified	13	Unqualified
19	Territory Banking Account	Unqualified	14	Unqualified
20	Transport Canberra and City Services Directorate	Unqualified	15	Unqualified
21	Transport Canberra Operations	Unqualified	16	Unqualified

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 3. Number of auditor's reports and limited assurance reports issued in 2021-22 (continued)

No.		Auditor's Reports	No.	Limited Assurance Reports
	Authorities			
22	ACT Building and Construction Industry Training Fund Authority	Unqualified	17	Unqualified
23	ACT Gambling and Racing Commission	Unqualified	18	Unqualified
24	ACT Insurance Authority	Unqualified	19	Unqualified
25	Canberra Institute of Technology	Unqualified	20	Unqualified
26	Cemeteries and Crematoria Authority	Unqualified	21	Unqualified
27	City Renewal Authority	Unqualified	22	Unqualified
28	Cultural Facilities Corporation	Unqualified	23	Unqualified
29	Independent Competition and Regulatory Commission	Unqualified	24	Unqualified
30	Legal Aid Commission (ACT)	Unqualified	25	Unqualified
31	Long Service Leave Authority	Unqualified	26	Unqualified
32	Motor Accident Injuries Commission	Unqualified	27	Unqualified
33	Public Trustee and Guardian	Unqualified	28	Unqualified
34	Suburban Land Agency	Unqualified	29	Unqualified
35	Teacher Quality Institute	Unqualified	-	Not applicable
36	University of Canberra	Unqualified	-	Not applicable
37	Work Health and Safety Commissioner	Unqualified	30	Unqualified
	Territory-owned corporations and other companies			
38	CIT Solutions Pty Limited	Unqualified	-	Not applicable
39	Community Housing Canberra Limited	Unqualified	-	Not applicable
40	Icon Distribution Investments Limited	Unqualified	-	Not applicable
41	Icon Retail Investments Limited	Unqualified	-	Not applicable
42	Icon Water Limited	Unqualified	-	Not applicable
43	UCX Ltd	Unqualified	-	Not applicable
	Joint ventures and partnerships			
44	ActewAGL Distribution Partnership	Unqualified	-	Not applicable

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022**

**Note 3. Number of audit reports and limited assurance reports issued in 2021-22
(continued)**

No.		Auditor's Reports	No.	Limited Assurance Reports
45	ActewAGL Joint Venture Special Purpose Financial Report	Unqualified	-	Not applicable
46	ActewAGL Joint Venture Summary Financial Report	Unqualified	-	Not applicable
47	ActewAGL Retail Partnership	Unqualified	-	Not applicable
48	West Belconnen Joint Venture	Unqualified	-	Not applicable
	Other audits			
49	ACT Veterinary Practitioner's Board	Unqualified	-	Not applicable
50	Capital Region Community Foundation Gift Fund	Unqualified	-	Not applicable
51	Capital Region Community Foundation Open Fund	Unqualified	-	Not applicable
52	Commonwealth funding under the Local Roads and Community Infrastructure Program	Unqualified	-	Not applicable
53	Commonwealth funding under the National Land Transport Act 2014 - Black Spot Projects	Unqualified	-	Not applicable
54	Commonwealth funding under the National Land Transport Act 2014 - National Projects	Unqualified	-	Not applicable
55	Commonwealth funding under the National Land Transport Act 2014 - Roads to Recovery	Unqualified	-	Not applicable
56	Default Insurance Fund	Unqualified	-	Not applicable
57	Disaster Recovery Funding Arrangements	Unqualified	-	Not applicable
58	Gungahlin Cemetery, Woden Cemetery, Woden Mausoleum, and Hall Cemetery Perpetual Care Trusts	Unqualified	-	Not applicable
59	National Health Funding Pool Account for the ACT	Unqualified	-	Not applicable
60	Office of the Nominal Defendant of the ACT	Unqualified	-	Not applicable
61	Public Trustee and Guardian - Trust Account	Unqualified	-	Not applicable
62	University of Canberra Research Income Return	Unqualified	-	Not applicable
	Compliance audit			
63	Public Trustee and Guardian - Compliance with the <i>Public Trustee Ancillary Guidelines 2011</i>	Unqualified	-	Not applicable

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 4. Number of performance audit reports presented to the ACT Legislative Assembly

This accountability indicator represents the number of performance audit reports presented in the ACT Legislative Assembly in 2021-22.

The following seven performance audit reports were presented to the ACT Legislative Assembly in 2021-22.

1. Canberra Light Rail Stage 2A: Economic Analysis (Report No. 8/2021)
2. Digital Records Management (Report No. 10/2021)
3. Campbell Primary School Modernisation Project Procurement (Report No. 12/2021)
4. Management of Detainee Mental Health Services in the Alexander Maconochie Centre (Report No. 1/2022)
5. Fraud Prevention (Report No. 2/2022)
6. ACT Taxi Subsidy Scheme (Report No. 3/2022)
7. Governance arrangements for the planning of services for Parkwood, Ginninderry (Report No. 4/2022)

The Audit Office had planned for the delivery of nine performance audit reports to the ACT Legislative Assembly in 2021-22. However, delays to the delivery of audits in 2020-21 subsequently impacted the delivery of audits in 2021-22. A suite of audits are currently underway with a view to delivering in excess of the expected nine reports for tabling to the Assembly in 2022-23.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 5. Percentage of agencies satisfied with financial audits and compliance audit

This accountability indicator provides information on reporting agencies' level of satisfaction with financial audits conducted by the Audit Office.

A survey of reporting agencies is conducted to rate their satisfaction with financial audits completed in 2021-22. This percentage is calculated as the number of reporting agencies that provide a satisfactory or better rating in relation to financial audits completed in 2021-22 divided by the number of agencies that responded to the survey.

While 63 audits were completed in 2021-22, 43 satisfaction surveys were issued as some satisfaction surveys cover multiple audits (e.g. the Icon Water group, ActewAGL Joint Venture, Public Trustee for the ACT and University of Canberra). No surveys are sent in relation to the several small Commonwealth grant acquittal audits.

The Audit Office received survey responses from 40 (93 percent) of the 43 reporting agencies surveyed. Three agencies did not provide a response to the survey.

Satisfaction rating	Number of responses	%
<u>Satisfied</u>		
Very good	18	45
Good	20	50
Satisfactory	2	5
Sub-total	40	100
Not satisfied (Poor)	0	0
Total	40	100

Source: Agency satisfaction surveys

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022**

**Note 5. Percentage of agencies satisfied with financial and compliance audits
(continued)**

The percentage of reporting agencies satisfied with financial audits and compliance audit (100 percent) exceeded the target (95 percent). Ninety-five percent (38 of 40) of respondents to the survey rated the Audit Office's performance as 'good' or 'very good'. Comments provided by respondents were generally positive and indicated high levels of satisfaction with the professional and constructive way in which audits were conducted.

Feedback provided by reporting agencies is considered by the Audit Office and, where appropriate, discussed with agency representatives to improve agency understanding of the audit process and identify ways of improving audit methods and practices.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 6. Percentage of agencies satisfied with performance audits

This accountability indicator provides information on audited agencies' level of satisfaction with performance audits conducted by the Audit Office.

A survey of agencies subjected to a performance audit is undertaken to rate their satisfaction with performance audits completed during 2021-22.

This percentage is calculated as the number of survey responses that provide a satisfactory or better than satisfactory rating for performance audits completed during 2021-22 divided by the number of audited agencies that responded to the survey.

The Audit Office received responses for 10 (71 percent) of the 14 surveys sent.

Satisfaction rating	Number of responses	%
<u>Satisfied</u>		
Very good	5	50
Good	2	20
Satisfactory	3	30
Sub-total	10	100
<u>Not satisfied</u>		
Poor	0	0
Very poor	0	0
Sub-total	0	0
Total	10	100

Source: Agency satisfaction surveys

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022**

Note 6. Percentage of agencies satisfied with performance audits (continued)

The percentage of agencies satisfied with performance audits (100 percent) exceeded the target (95 percent). The majority of respondents to the survey (70 percent) rated the Audit Office's performance as 'good' or 'very good'.

The Audit Office received a number of positive comments in the survey responses from audited agencies, some of which indicated satisfaction with, and endorsement of, Audit Office processes associated with the preparation of reports for tabling and the quality of performance reports:

I take this opportunity to thank the Audit Office for performing this audit which adds value to Directorate's governance framework. ... the Audit team provided excellent professional services and sufficient opportunities for the Directorate to provide responses on findings and recommendations. Thank you.

[The Directorate] is pleased with how the Senior Audit staff conducted the audit and ensured that there were clear open lines of communication and that feedback and comments provided were considered and implemented to deliver a balanced and constructive audit.

One agency, in its response, identified a potential need for greater Audit Office Executive involvement in key meetings with the audited agency:

By the way of suggestion in future audits involving an Audit Office executive at least at the initial and exit audit meetings may contribute additional value to the process. This will provide an opportunity for the Directorate to directly discuss any sensitive issues or any issues.

Feedback provided by audited agencies is considered by the Audit Office and, where appropriate, discussed with agency representatives to improve agency understanding of the audit process and identify ways of improving audit methods and practices.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 7. Percentage of agencies satisfied with the potential for financial audit findings and/or recommendations to improve their financial reporting, governance, or internal controls

This accountability indicator provides information on reporting agencies' level of satisfaction with audit findings and/or recommendations made during financial audits conducted by the Audit Office.

Reporting agencies were asked to respond to the **'Potential of the Audit Office's audit findings and/or recommendations to improve the financial reporting, governance or internal controls of our organisation.'** This percentage is calculated as the number of agencies that provide a 'satisfactory' or better rating on whether the audit will help their organisation improve administration of the audited activity divided by the number of agencies that respond to the survey question.

Of the 40 survey responses received by the Audit Office in 2021-22, 30 agencies provided a rating to the question. The remaining 10 agencies did not provide a response to the question as no recommendations were made during these financial audits.

Satisfaction rating	Number of responses	%
<u>Satisfied</u>		
Very good	11	37
Good	14	47
Satisfactory	5	16
Sub-total	30	100
Not satisfied (Poor)	0	0
Total	30	100

The percentage of reporting agencies that were satisfied with the potential for financial audit findings and/or recommendations to improve their financial reporting, governance or internal controls (100 percent) exceeded the target (95 percent).

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 8: Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity

This accountability indicator provides information on whether the performance audit will help improve administration of the audited activity. A survey of audited agencies subjected to a performance audit was performed to rate their satisfaction with performance audits completed in 2021-22.

Audited agencies were asked whether **‘the audit will help your organisation to improve administration of the audited activity.’** The percentage is calculated as the number of audited agencies that provide an ‘agree’ or ‘strongly agree’ to this question divided by the number of agencies that responded to the survey.

The Audit Office received responses for 10 (71 percent) of the 14 surveys sent.

Agency rating	Number of responses	%
<u>Ratings</u>		
Strongly agree	5	50
Agree	4	40
Sub-total	9	90
Strongly disagree	-	-
Disagree	1	9
Sub-total	1	10
Neither agree nor disagree	0	0
Unsure	-	-
Sub- total	0	0
Total	10	100

Source: Agency satisfaction surveys

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022

Note 8: Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity (continued)

The percentage of agencies that indicated that they 'agree' or 'strongly agree' that 'the audit will help their organisation improve administration of the audited activity' (90 percent) is higher than the target (80 percent).

One agency, in its response, disagreed that the audit would assist the organisation improve the administration of the audited activity. Feedback provided by audited agencies is considered by the Audit Office and, where appropriate, discussed with agency representatives to improve agency understanding of the audit process and identify ways of improving audit methods and practices. In doing so it is noted that a key purpose of a performance audit is to inform the ACT Legislative Assembly, and broader ACT community, of issues associated with public administration. Promoting transparency in public administration may be the key outcome of the performance audit process, but this may not necessarily be seen by an agency as helping it to improve its administration of the audited activity.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022****Note 9: Percentage of financial audits completed within the required timetable**

The 'required timetable' refers to the reporting and audit timetable issued by the Chief Minister, Treasury and Economic Development Directorate to meet legislative requirements or, where there is no legislative timeframe, the timeframe agreed between the Audit Office and reporting agency.

This percentage is calculated as the percentage of financial audits completed within the required timetable divided by the number of audits completed.

The Audit Office plans to complete all financial audits within the 'required timetable'. Meeting this timetable is challenging and depends on many factors which are outside the control of the Audit Office. For example, for audits to be completed by the required date, reporting agencies need to:

- provide satisfactory financial statements and supporting work papers to the Audit Office by the planned date; and
- respond in a timely manner to requests from the audit team for information.

In 2020-21, the Audit Office completed 98 percent (62 of 63) of the financial audits within the required timetable. Delays were experienced with one audit as the certified financial statements for this audit was provided to the Audit Office two days later than planned. The auditor's report was issued on the same day of the receipt of the certified financial statements and in time for this reporting agency to meet its statutory reporting timeframe.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance Year Ended 30 June 2022

Note 10. Average period of completion of performance audits

This accountability indicator reports the average duration of a performance audit, from commencement to completion during the reporting period.

A performance audit is commenced when an engagement letter is sent to the relevant agency head or their equivalent – even though some planning activity is usually undertaken prior to the commencement of the audit. The completion date is the date the report is presented to the Speaker of the ACT Legislative Assembly for tabling.

The indicator is calculated as the total duration of all performance audits (in months) divided by the number of performance audit reports issued during the reporting period.

Report		Months
1.	Canberra Light Rail Stage 2A: Economic Analysis (Report No. 8/2021)	13.2
2.	Digital Records Management (Report No. 10/2021)	15.5
3.	Campbell Primary School Modernisation Project Procurement (Report No. 12/2021)	8.3
4.	Management of Detainee Mental Health Services in the Alexander Maconochie Centre (Report No. 1/2022)	18.5
5.	Fraud Prevention (Report No. 2/2022)	9.5
6.	ACT Taxi Subsidy Scheme (Report No. 3/2022)	6.9
7.	Governance arrangements for the planning of services for Parkwood, Ginninderry (Report No. 4/2021)	4.7
Average period of completion of performance audits		10.9

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2022**

Note 10. Average period of completion of performance audits (continued)

The average time to complete a performance audit will vary due to the size and complexity of the audit and circumstances under which the audit is performed. The average period of completion of performance audits in 2021-22 was 10.9 months compared to the target of 7.0 months.

Reasons for exceeding the target time varied according to the audit. A key factor influencing the length of time of the audit is the complexity of the audit topic and subject matter. Audits may also be impacted by factors within, and outside of, the control of the audit team. The Audit Office continues to look for more ways to build resilience into the audit process, including through the use of contractors and subject matter experts to support audit teams.

APPENDIX A: FINANCIAL AUDIT FEES

Subsection 11A(5) of the A-G Act requires the Audit Office to disclose the basis on which the Auditor-General decided fees for audits conducted during the reporting period.

Financial audit fees are based on an estimate of the time and cost of completing each audit. This estimate is prepared before the audit is performed and communicated to reporting agencies during the planning phase of the audit.

Estimates of financial audit fees are mainly based on information on the time taken and costs incurred in completing the financial statements audit and limited assurance engagement on the statement of performance (where applicable) in recent years while taking into account known factors that would cause significant changes to the cost of audits. These include changes to:

- accounting, reporting and audit requirements;
- information and other systems used to prepare the financial statements;
- the cost of using information technology, accounting and actuarial experts;
- the number and type of accountability indicators;
- administrative arrangements; and
- Audit Office staff salaries and overhead costs.

Where an audit is being undertaken primarily by contractors, audit fees are based on the expected contract cost of the contractors plus an estimate of the time and cost of work by staff from the Audit Office on the audit.

The Audit Office attempts to minimise fee variations between years to provide budget consistency and certainty, especially for small reporting agencies. This practice means that the Audit Office:

- will, in nearly all cases, charge the estimated audit fees communicated to reporting agencies during the planning phase regardless of actual costs that are subsequently incurred on the audit. This practice results in surpluses and deficits occurring on individual audits; and
- may change fees on the basis of the time and costs incurred on an audit over a number of years particularly where significant surpluses or deficits are generated, rather than amending fees whenever a surplus or deficit is recorded.

When estimating fees for audits, the Audit Office seeks to recover the costs of completing the annual program of financial audits. A small surplus or deficit is estimated when setting fees for the entire annual financial audit program.

Audit fees contribute to meeting the costs of other activities such as developing the Audit Office's financial audit method, working with reporting agencies on emerging audit and accounting issues and quality assurance work.

Table 1: Summary of financial audit fees

	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Territory's financial statements (refer Table 2)	180 000	205 991
Directorates (refer Table 2)	2 723 222	3 083 268
Statutory authorities (refer Table 3)	1 259 390	1 431 639
Territory-owned corporations and companies (refer Table 4)	459 046	491 333
Joint ventures and partnerships (refer Table 5)	343 125	361 663
Other audits (refer Table 6)	180 892	169 986
Total financial audit fees	5 145 675	5 743 880

Source: Audit Office records

Table 1 shows that audit fees are estimated to increase by \$598 205 (12 percent) from \$5 145 675 in 2020-21 to \$5 743 880 in 2021-22. The increase in audit fees is consistent with the increase in Office costs as discussed in Section C Financial Management Reporting.

Financial audit fees charged to agencies are presented in Tables 1 to 6 of this Appendix. These fees vary from that reported in the Audit Office's financial statements because the revenue from the provision of financial audit services is recognised over time as the Audit Office satisfies its performance obligation of completing the audit work.

Explanations for significant fee variations on individual audits other than the increase in Office costs mentioned above are provided after Table 6.

Estimated financial audit fees (excluding GST) shown are for audits with reporting periods ending 31 December and 30 June.

Further information can be obtained from:

Mr Ajay Sharma	Assistant Auditor-General, Financial Audit	(02) 6207 0830	ajay.sharma@act.gov.au
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Table 2: Financial audit fees – The Territory and directorates

	Note No.	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Territory's financial statements			
Territory's consolidated annual financial statements		180 000	205 991
Total		180 000	205 991
Directorates			
ACT Electoral Commission		36 050	41 000
ACT Executive		35 000	41 000
ACT Health Directorate		130 387	149 275
ACT Integrity Commission	1	39 375	49 975
ACT Local Hospital Network Directorate		61 500	67 273
Canberra Health Services		182 887	209 375
Chief Minister, Treasury and Economic Development Directorate		472 124	530 641
Community Services Directorate		133 500	149 275
Education Directorate		168 500	202 539
Environment, Planning and Sustainable Development Directorate		200 387	229 275
Housing ACT		145 137	160 025
Justice and Community Safety Directorate		280 250	318 775
Lifetime Care and Support Fund		54 612	62 068
Major Projects Canberra		112 887	128 775
Office of the Legislative Assembly		52 500	60 000
Public Sector Workers Compensation Fund		56 464	63 795
Superannuation Provision Account	2	61 000	56 811
Transport Canberra and City Services Directorate		303 500	347 366
Transport Canberra Operations		149 000	164 775
Territory Banking Account		48 162	51 250
Total		2 723 222	3 083 268

Explanatory notes are provided after Table 6 in this Appendix.

Table 3: Financial audit fees –Territory authorities

	Note No.	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Territory authorities			
ACT Gambling and Racing Commission		46 709	51 250
ACT Insurance Authority		60 171	67 870
Building and Construction Industry Training Fund Authority	3	30 000	37 500
Canberra Institute of Technology		166 250	194 750
Cemeteries and Crematoria Authority		87 250	90 000
City Renewal Authority		60 707	68 909
Cultural Facilities Corporation	3	62 000	76 000
Independent Competition and Regulatory Commission		33 500	40 000
Legal Aid Commission (ACT)		59 500	68 000
Long Service Leave Authority		65 427	71 136
Motor Accident Injuries Commission		23 748	26 650
Office of the Work Health and Safety Commissioner		35 000	40 000
Public Trustee and Guardian		45 750	51 250
Suburban Land Agency		183 378	217 054
University of Canberra		300 000	331 270
Total		1 259 390	1 431 639

Explanatory notes are provided after Table 6 in this Appendix.

Table 4: Financial audit fees – Territory-owned corporations and companies

	Note No.	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Territory-owned corporations and companies			
CIT Solutions Pty Limited	3	40 000	50 000
Community Housing Canberra Limited		60 000	68 600
Icon Water Limited (including Icon Water Distribution Investments Limited and Icon Water Investments Limited)		307 046	315 733
UCX Ltd		52 000	57 000
Total		459 046	491 333

Explanatory notes are provided after Table 6 in this Appendix.

Table 5: Financial audit fees – joint ventures and partnerships

	Note No.	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Joint ventures and partnerships			
ActewAGL Joint Venture		295 000	300 163
West Belconnen Joint Venture	4	48 125	61 500
Total		343 125	361 663

Explanatory notes are provided after Table 6 in this Appendix.

Table 6: Financial audit fees – other audits

	Note No.	2020-21 Actual Audit Fees \$	2021-22 Estimated Audit Fees \$
Other audits			
ACT Veterinary Surgeons Board	5	6 000	-
Capital Region Community Foundation Gift Fund		3 650	4 100
Capital Region Community Foundation Open Fund		3 650	4 100
Commonwealth Funding for Roads Program (several small grant acquittal audits)		19 500	20 500
Default Insurance Fund		32 500	33 145
Disaster Funding Arrangement		8 750	7 000
National Health Funding Pool – ACT State Pool Account		22 836	18 900
Office of the Nominal Defendant of the ACT		32 500	33 691
Public Trustee and Guardian - compliance with the <i>Public Ancillary Fund Guidelines 2011</i>		5 506	6 150
Public Trustee and Guardian - Trust Account		33 500	36 900
Teacher Quality Institute	6	7 500	-
University of Canberra Research Income Return		5 000	5 500
Total		180 892	169 986

Explanatory notes

Note 1: The audit fee was increased above the increase in Office costs to recover the costs associated with obtaining a higher level of security clearances (NV1) for selected audit staff to perform the audit at the request of the ACT Integrity Commission.

Note 2: The audit fee was decreased to more closely reflect the average cost of performing the audit over the last three years and as a result of lower contractor costs due to a more extensive triennial review performed in 2020-21.

Note 3: The audit fee was increased above the increase in Office costs to more closely reflect the average cost of performing the audit over the last three years.

Note 4: The audit fee was increased above the increase in Office costs due to an increase in the size and complexity of the Joint Venture's operations.

Note 5: This audit is only performed every three years at the request of the Veterinary Surgeons Board.

Note 6: This audit was performed at the request of the Teacher Quality Institute in 2020-21.

APPENDIX B: COMPLIANCE INDEX

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APPENDIX C: AUDIT OFFICE REPORTS

Reports Published in 2021-22	
Report No. 05 – 2022	Procurement and contracting activities for the Acton Waterfront Project
Report No. 04 – 2022	Governance arrangements for the planning of services for Parkwood, Ginninderry
Report No. 03 – 2022	ACT Taxi Subsidy Scheme
Report No. 02 – 2022	Fraud Prevention
Report No. 01 – 2022	Management of detainee mental health services in the Alexander Maconochie Centre
Report No. 13 – 2021	Campbell Primary School Modernisation Project Procurement
Report No. 12 – 2021	2020-21 Financial Audits – Financial Results and Audit Findings
Report No. 11 – 2021	Digital Records Management
Report No. 10 – 2021	2020-21 Financial Audits Overview
Report No. 09 – 2021	Annual Report 2020-21
Report No. 08 – 2021	Canberra Light Rail Stage 2a: Economic Analysis
Reports Published in 2020-21	
Report No. 07 – 2021	Procurement Exemptions and Value for Money
Report No. 06 – 2021	Teaching Quality in ACT Public Schools
Report No. 05 – 2021	Management of Closed-Circuit Television Systems
Report No. 04 – 2021	ACT Government's vehicle emissions reduction activities
Report No. 03 – 2021	Court Transport Unit Vehicle – Romeo 5
Report No. 02 – 2021	Total Facilities Management Contract Implementation
Report No. 01 – 2021	Land Management Agreements
Report No. 10 – 2020	2019-20 Financial Audit – Financial Results and Audit Findings
Report No. 09 – 2020	2019-20 Financial Audits Overview
Report No. 08 – 2020	Annual Report 2019-20
Report No. 07 – 2020	Management of care of people living with serious and continuing illness
Reports Published in 2019-20	
Report No. 06 – 2020	Transfer of workers' compensation arrangements from Comcare
Report No. 05 – 2020	Management of household waste services
Report No. 04 – 2020	Residential Land Supply and Release
Report No. 03 – 2020	Data Security
Report No. 02 – 2020	2018-19- Financial Audits – Computer Information Systems
Report No. 01 – 2020	Shared Services Delivery of HR and Finance Services
Report No. 11 – 2019	Maintenance of ACT Government School Infrastructure
Report No. 10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2019	2018-19 Financial Audits – Overview
Report No. 08 – 2019	Annual Report 2018-19

These and earlier reports can be obtained from the ACT Audit Office or the ACT Audit Office's homepage:
<http://www.audit.act.gov.au>.