

ACT Auditor-General's Office

Annual Report 2009-10



ACT AUDITOR-GENERAL'S OFFICE



The Speaker
ACT Legislative Assembly
London Circuit
CANBERRA ACT 2601

Dear Mr Speaker

I am pleased to present to you the Annual Report of the ACT Auditor-General's Office for the year ended 30 June 2010.

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

I hereby certify that the attached Annual Report is an honest and accurate account of the operations of the Auditor-General's Office during the period from 1 July 2009 to 30 June 2010.

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

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

Yours sincerely

Tu Pham
Auditor-General
29 September 2010

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LIST OF ABBREVIATIONS

| | |
|--------|---|
| ACAG | Australasian Council of Auditors-General |
| APES | Accounting Professional and Ethical Standards |
| ASAE | Australian Standard on Assurance Engagements |
| CPA | Certified Practising Accountant |
| DECCEW | Department of the Environment, Climate Change, Energy and Water |
| FoI | Freedom of Information |
| PAC | Public Accounts Committee |
| PID | Public Interest Disclosure |
| QAO | Queensland Audit Office |
| TAO | Tasmanian Audit Office |
| VAGO | Victorian Auditor-General's Office |

1. THE AUDITOR-GENERAL'S OVERVIEW

As in previous years, the support and dedication of all staff have contributed to the sound performance of the Audit Office in 2009-10, and enabled me to discharge my statutory functions. Through our various activities during the year, I believe the Audit Office has effectively met the needs of the ACT Legislative Assembly and provided valued services to government agencies.

This year was a particularly rewarding year for all of us in the Audit Office, as our hard work and commitment to achieving an efficient and effective organisation was recognised by an independent review of the Office. I am pleased that the independent reviewer found the Office to be efficient, effective, and open and accountable about its performance.

The Audit Office completed all financial audits, comprising 74 financial audits and the reviews of 28 statements of performance. The Office also delivered six performance audits, covering a diverse range of subjects of interest to the Legislative Assembly and the wider ACT community. The performance audits undertaken included water demand management, student support services for public high schools, and the delivery of budget initiatives.

In addition to the delivery of its annual audit program, a key role of the Audit Office has been to respond to a number of issues referred to us by the Legislative Assembly and members of the community. I am encouraged by the strong awareness and appreciation in the community of the independent role of the Auditor-General, and this is reflected in the increasing number of representations to the Audit Office.

In an environment of increasing costs and more stringent audit standards, a key challenge for the Audit Office throughout the year was to remain efficient, while improving the quality and outcomes of our audit work. In recent years, I have reported that ACT Government agencies have acted to improve public administration by implementing recommendations from financial and performance audits. This trend has continued in 2009-10, and I am pleased with the high level of acceptance by agencies of our audit recommendations (72 percent for performance audits and 92 percent for financial audits), and the increasing willingness by many agencies to keep the Audit Office informed of progress in implementing audit recommendations.

Consistent with our commitment to fostering a productive relationship with ACT Government agencies, we have put substantial effort into improving communications with agencies on our audit approach, including consulting broadly on the scope of our audits and providing more opportunities for the audited agencies to discuss and respond to findings and issues. In addition, the Audit Office attended meetings of internal audit committees of all major agencies, held information seminars which were well attended by agencies, as well as providing briefing sessions to agencies, as needed.

I would also like to thank the Legislative Assembly and its Committees for the support provided to the Audit Office during the year. Many Members have also commented on the

high standard of our reports and the contributions we have made to various public hearings conducted by Legislative Assembly Committees.

Our financial position improved from the previous year, with the Audit Office generating a modest surplus in 2009-10 compared to the small deficit incurred in 2008-09. Last year, I raised concerns about the demand on our limited resources to comply with new accounting and auditing standards, and foreshadowed the adverse impact of this work on our performance audit program. Although we were not able to meet all of our performance targets, I am pleased that the hard work of the Office in implementing the Accounting Professional and Ethical Standards (APES 320) was recognised by the independent reviewer. I am confident that this work, together with other improvement measures, will assist the Audit Office in continuing to improve its performance.

In 2009-10, most of our staff again indicated a high level of satisfaction with their work. In particular, staff indicated they value the rewarding work, effective management, open communication, and productive, inclusive and supportive work environment within the Audit Office.

Looking ahead, the Audit Office will continue to work hard to meet the high expectations of the Legislative Assembly and community, deliver its planned audit programs within budget constraints, and maintain its capacity to independently promote accountability and scrutinise the spending of public money.

My term as Auditor-General ends in March 2011. As this is my last annual report, I would like to take this opportunity to acknowledge and thank the people I have been fortunate to work with, including my management team and all of the great staff at the Audit Office, Chief Executives and staff from the various agencies, Members of the Legislative Assembly and my colleagues in other Audit Offices.

I believe that my work over the last seven years has built a strong foundation for the Audit Office to discharge its functions efficiently and effectively and to earn the confidence of the Legislative Assembly and the general community. The Audit Office should be justifiably proud of its performance and I believe that it is well positioned to move forward under the new leadership of the next Auditor-General.

As I leave this position, I will take many fond memories with me. I am grateful and honoured to have had the privilege of serving the Legislative Assembly and the ACT community. I extend my very best wishes to all staff in the Office and the next Auditor-General for many successful and rewarding years ahead.

Tu Pham
Auditor-General
29 September 2010

2. THE ORGANISATION

ROLE, FUNCTIONS AND STRUCTURE

The Auditor-General for the ACT is a statutory position under the *Auditor-General Act 1996*, and is responsible for the audit of all ACT public sector agencies. The Auditor-General provides assurance and independent advice to the Legislative Assembly, and through it, the ACT community, on whether the ACT public sector is accountable, and effectively and efficiently managed.

The *Auditor-General Act 1996* sets out the functions and powers of the Auditor-General and the ACT Auditor-General's Office (the Audit Office). The main functions are to:

- promote accountability in the public administration of the Territory;
- audit annual financial statements of the Territory, departments and territory authorities under the *Financial Management Act 1996*; and
- conduct performance audits.

VISION, OUTCOMES, AND OBJECTIVES OF THE AUDIT OFFICE

The Audit Office's Strategic Plan sets out its vision, role, and values, and also defines its outcomes and objectives. The Strategic Plan is available on the Audit Office web-site.

The vision of the Audit Office is 'to enhance the performance and accountability of the ACT Public Sector'.

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

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

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

- inform the ACT Legislative Assembly and the community of the performance of the ACT public sector;
- contribute to improving the performance of ACT public sector agencies;
- shape its services to anticipate and respond to the needs of the Legislative Assembly and other stakeholders;
- enhance staff competencies, knowledge, and expertise; and
- manage the operations of the Audit Office efficiently and within the budgeted funds.

VALUES OF THE AUDIT OFFICE

The core values that guide our work and behaviours are:

Independence: our views are impartial and objective

Integrity: we exhibit the highest standards of ethical behaviour

Professionalism: our work reflects our commitment and is consistently of a high standard

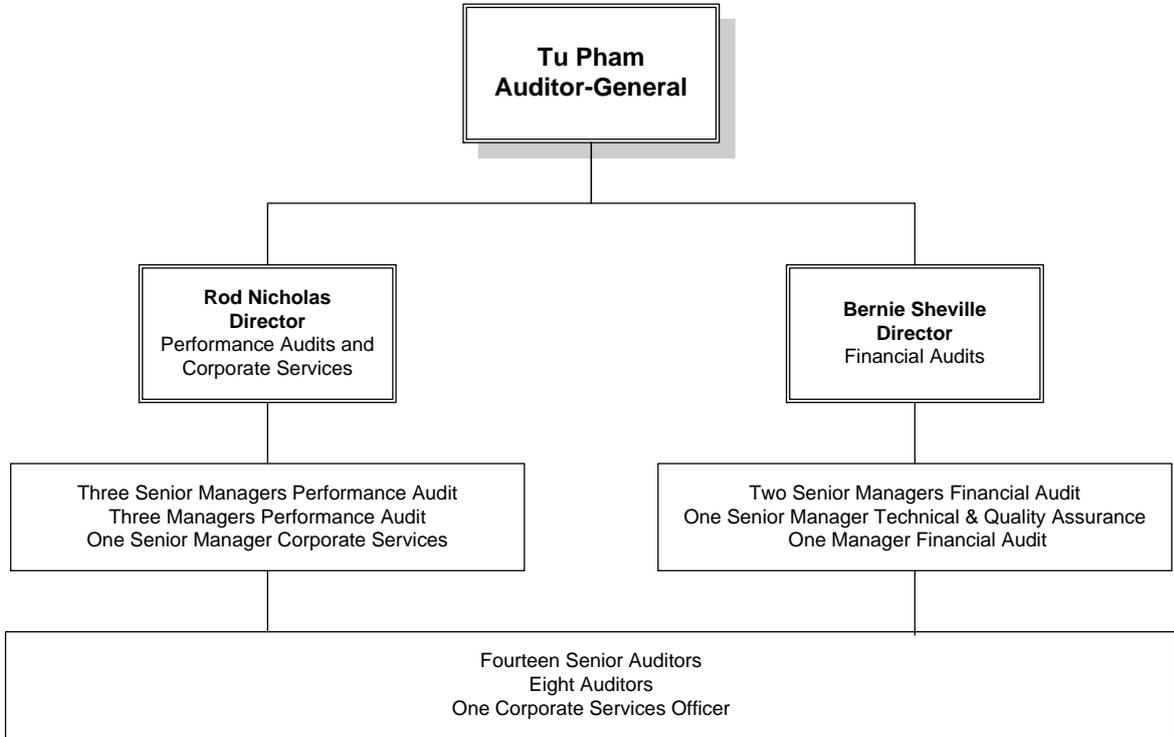
Respect: we are trustworthy, honest, and respectful in our dealings with colleagues and stakeholders

Learning and innovation: we continually seek improved ways of performing our work

ORGANISATIONAL STRUCTURE

The Audit Office is functionally divided into two business units, each led by a Director:

- Financial Audits; and
- Performance Audits and Corporate Services.



Note: As at 30 June 2010. Managers, senior auditors and auditors work on performance audit, financial audit and other functions as required.

THE AUDIT OFFICE'S STAKEHOLDERS

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

The ACT Legislative Assembly and the ACT community

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

ACT public sector agencies

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

Audit Office staff

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

RELEVANT LEGISLATION

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

Auditor-General Act 1996

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

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

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

Public Sector Management Act 1994

The Public Sector Management Act 1994 sets out the administrative arrangements for the management of the ACT Public Service. Except for the Auditor-General, who is appointed under the *Auditor-General Act 1996*, all Audit Office staff are employed under this Act.

Financial Management Act 1996

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

This Act requires the Audit Office to audit the financial statements of the Territory and its departments and authorities and to review the statements of performance of agencies.

Territory-owned Corporations Act 1990

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

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

Public Interest Disclosure Act 1994

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

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

Government Procurement Act 2001

If requested by the Auditor-General under the *Government Procurement Act 2001*, a Territory entity responsible for a contract containing confidential text must give the Auditor-General the contracts and information requested. The Auditor-General must then report to a Legislative Assembly Committee (as nominated by the Speaker) on whether the Auditor-General is satisfied that confidential text in the contract complies with the provisions of the *Procurement Act*.

3. PERFORMANCE OVERVIEW

HIGHLIGHTS

The Audit Office largely achieved its planned levels of performance in 2009-10.

In particular, the Audit Office:

- completed 74 financial audits and reviewed 28 statements of performance. The Office was unable to complete five financial statement audits within the required timeframe because the relevant agency did not provide financial statements to the Audit Office within the agreed timeframe;
- completed a report summarising the outcomes of the 2008-09 financial audits;
- completed six performance audits. The Audit Office was unable to meet its target of eight performance audits due to the unexpected departure and absence of senior personnel, and the need to divert some staff to higher priority reviews and corporate activities;
- completed the review and documentation of performance audit policy and practices, and implemented audit software, based on a program used in the Queensland Audit Office. This will improve audit documentation and management of audits;
- attended several Legislative Committees' public hearings and Public Accounts Committee private briefings, and made several submissions to these Committees. In particular, the Office's submission to the inquiry into the *Auditor-General Act 1996* covered many issues such as the audit mandate for outsourced government activities, role of the Legislative Assembly in resourcing and accountability of the Office. The submission also included suggested improvements to the Act for greater legislative support for the operations of the Audit Office.
- received a satisfactory or better overall performance rating from most agencies surveyed in relation to completed financial and performance audits;
- continued to achieve a high rate of acceptance by agencies of recommendations made in 2009-10 financial audits (92 percent), and performance audits (72 percent); and
- achieved a high level of staff satisfaction with 90 percent of staff expressing satisfaction with their job, and confidence in management.

In addition, the independent performance audit of the Auditor-General and Audit Office, tabled in the Legislative Assembly in May 2010, identified many positive aspects of the Office and concluded that the Office was efficient, effective and provided value for money.

In recognition of the importance of continuous improvement and innovation, in 2009-10 the Audit Office continued to focus on areas identified as needing improvement by internal and external reviews, staff surveys and feedback from stakeholders. In particular:

- the independent review of the Office identified areas in the strategic planning and audit processes, that can be improved. These included documentation, costing and sampling techniques. The Office accepted most recommendations of the independent reviewer and had implemented many by June 2010; with all agreed recommendations expected to be addressed by 31 December 2010;
- the Tasmanian Audit Office (TAO) completed a quality assurance review of performance audits conducted by the Office. This peer review provided an opportunity to independently examine audit files, using a program that focused on relevant key aspects of the professional standards. The review has led to improvements in policy and practice;
- the Office completed an extensive internal review of current policies, procedures and practices against Auditing Standard APES 320, which requires all audit firms to establish and maintain a comprehensive quality system. This was a significant undertaking but was essential to demonstrate compliance with professional standards. The independent performance audit of the Audit Office commented favourably on this work.
- the Office has responded to suggestions for improvement from staff surveys conducted in February 2010, including reviewing the performance appraisal and feedback system and improved learning and development opportunities for staff; and
- agencies continued to provide good feedback in their responses to the Office satisfaction survey. The Office made further improvements, where possible, to audit processes and practices, and to the communication with agencies.

OUTLOOK

The Audit Office welcomed positive conclusions by the independent reviewer on its performance, and will continue to improve its efficiency and effectiveness.

Financial audits of agencies under the Financial Management Act continue to make up the bulk of the Office's activities. While the number of audits has been reasonably constant, the complexity of the audits is increasing, particularly as changes to professional accounting standards take effect.

The Audit Office expects to continue to receive representations from the community, members of the Legislative Assembly, and public sector agencies, in addition to the regular audit program. This means that the Office is continually reassessing the priorities of its performance audits and other advisory activities. It is a constant challenge to deliver the performance audit program as planned.

In recent years, there have been several new and revised auditing standards that the Audit Office has been required to implement. With work on the Office's compliance with APES 320¹ and ASAE 3500² completed, the Office's focus will be on ensuring the many

¹ Accounting, Professional and Ethical Standards Board, *APES 320: Quality Control for Firms*.

² Auditing and Assurance Standards Board, *Australian Standard on Assurance Engagements ASAE 3500: Performance Engagements*.

requirements are fully understood and embedded in all policies and practices. The creation of a small quality assurance and technical services team will help in this regard. This team has been established to enhance the internal review of audits, increase the Office's capacity to give consideration to technical issues arising during audits and provide advice on accounting treatments to the Office and ACT Government agencies.

The Office's overall staff turnover has improved with new stability in the financial audit team, but increasing difficulties in retaining senior managers in the performance audit team. The challenge for the Office is to maintain the existing capacity, build the skills and knowledge of staff to deliver performance audits of a high professional standard in a more timely manner.

Finalisation of the Office's Collective Agreement 2010-11 will provide some opportunity to consolidate the terms and conditions of employment, including salaries. The Audit Office has adopted the ACT Government approach to renegotiate an agreement that will nominally terminate on 31 March 2011.

An important change in the year ahead is the departure of the Auditor-General, whose fixed seven-year term ends in March 2011. The Office will put in place processes to ensure a smooth transition to the new Auditor-General and continued delivery of the scheduled performance and financial audit programs and other functions.

4. ANALYSIS OF PERFORMANCE - PERFORMANCE AUDIT ACTIVITIES

The Audit Office's performance audits are a highly visible aspect of the Office's work. The audit reports, which are tabled in the Legislative Assembly, provide independent assurance to the Assembly and public on whether ACT Government services are delivered efficiently and effectively and Territory funds are properly spent.

As in previous years, the Audit Office developed a performance audit program taking into account input from the Public Accounts Committee (PAC) and government agencies, and focussed on delivering audit reports that are relevant to the community and add value to public administration.

MEETING PERFORMANCE TARGETS

Table 4.1: Performance measures for performance audits

| | 2008-09 Actual | 2009-10 Actual | 2009-10 Target |
|---|---------------------------|---------------------------|---------------------------|
| Number of performance audit reports presented to the Legislative Assembly (Note 1) | 7 | 6 | 8 |
| Average period of completion of audits | 7.2 months | 8.7 months | 7.0 months |
| Percentage of agencies satisfied with audit reports | 100% | 88% | 95% |
| Percentage of recommendations accepted in performance audits (Note 1) | 71% | 72% | 95% |
| Note 1. In measuring a result for this performance indicator, 'partial agreements', unclear responses, and 'noted' responses provided by agencies to audit recommendations have been excluded from the count of 'accepted' recommendations. | | | |

Source: Audit Office's statements of performance and Audit Office's internal targets.

The Audit Office completed six performance audit reports against a target of eight. Two planned audits were not completed during 2009-10 (*Delivery of Bus Services by ACTION* and *Courts Administration Follow-up Audit*) due mainly to the departure of three senior performance audit managers late in the financial year (about a third of the performance audit team). Further, some performance audit staff were diverted to other tasks to meet requirements of the auditing standard APES 320 'Quality Control for Audit Firms'.

The loss of key staff in the performance audit team significantly reduced the Office's performance audit capacity. This led to delays finishing the audits those staff were managing, and some re-organisation of audit teams. As a result, the average time taken to complete performance audits tabled in 2009-10 slipped to 8.7 months compared to the targeted completion timeframe of 7 months. While this was still a reasonable performance when compared to other audit jurisdictions across Australia (the latest benchmark figures showed the average completion time for performance audits in all Australian jurisdictions

is around 10 months), it was a disappointing result when considering the Office's strong emphasis on improving the timeliness of performance audits in recent years.

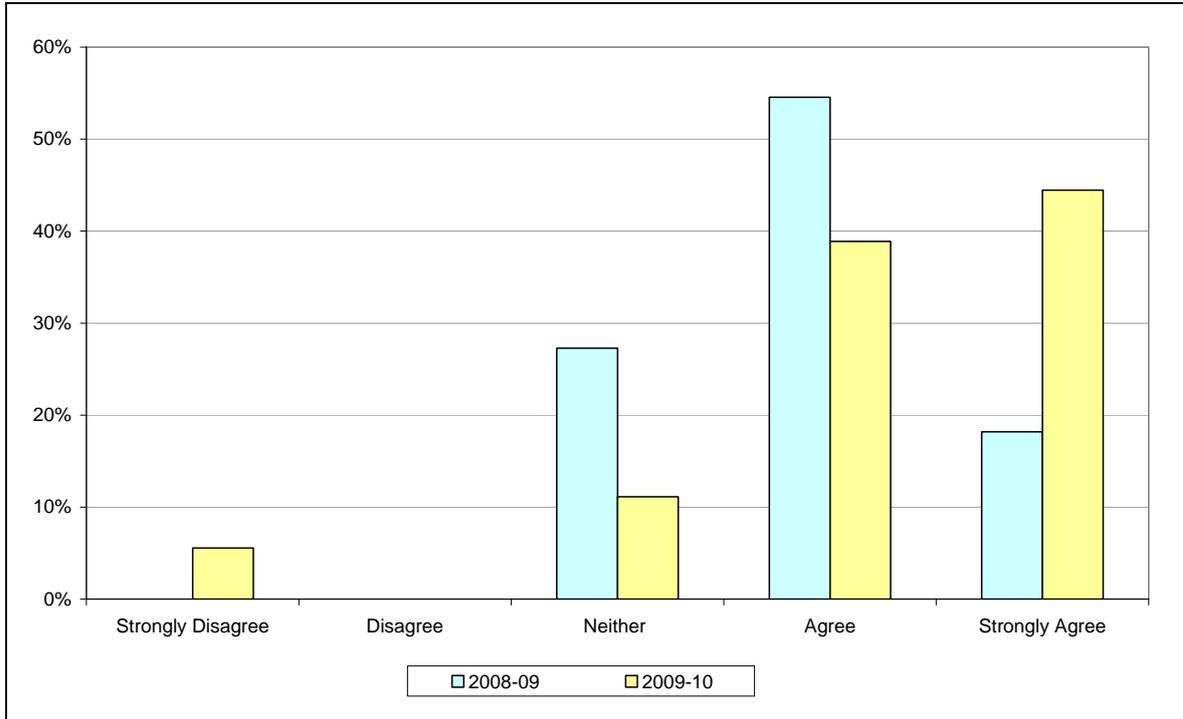
The Audit Office will continue to focus on the timely completion of performance audits. This is particularly challenging in small teams, where it can be difficult to build and maintain expertise, and where staff turnover can have a disproportionate adverse effect on the achievement of targets.

Consistent with the Audit Office's role in improving accountability and performance of government agencies, the recommendations from the performance audit reports aim to address areas of concern identified during the audit. The extent to which agencies accept the Office's recommendations provides a good indication of the effectiveness of the performance audits (although this is more properly measured by the implementation of the recommendations and improved practices that result over time). The six performance audits completed during 2009-10 included 54 recommendations, of which agencies agreed to fully implement 39, representing a 'fully accepted' rate of 72 percent (slightly better than the previous year). Although this falls short of the target acceptance rate (95 percent), it is important to note that all remaining, except one, recommendations were either agreed 'in part' or 'in principle'.

The Audit Office surveys the audited agencies following the completion of each performance audit. The results for two important questions are in Figures 4.1 and 4.2 on the following page.

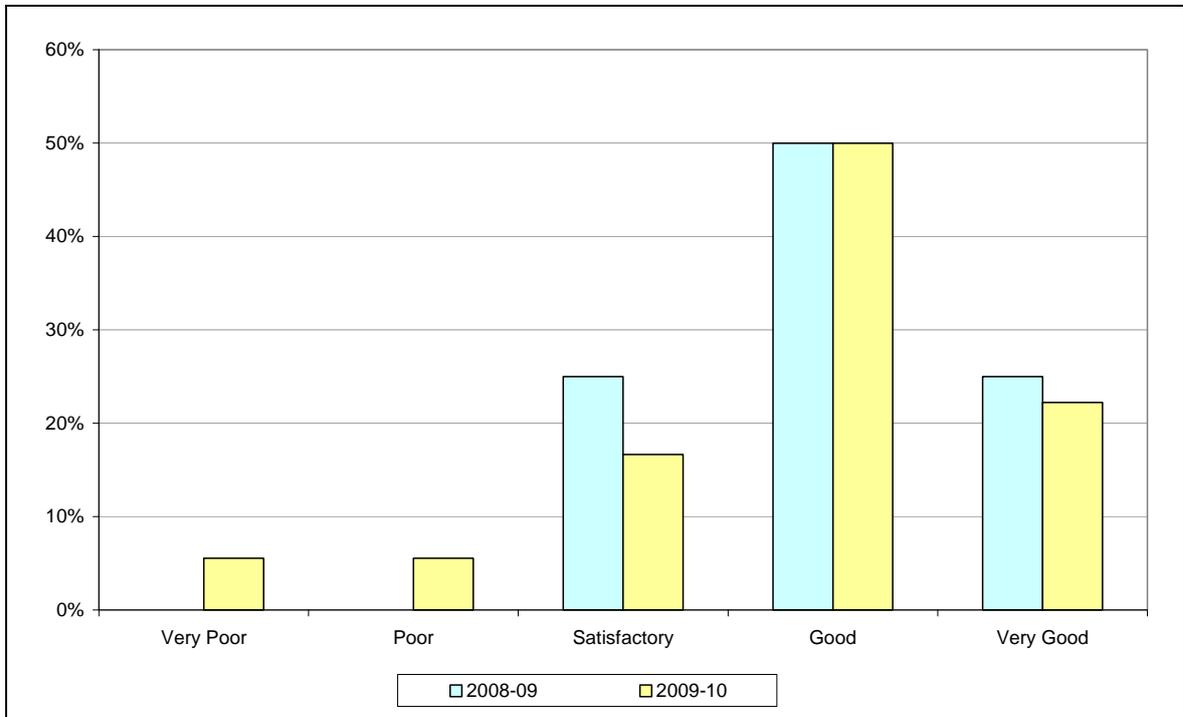
Feedback from the surveys show that agencies generally value the work of the Audit Office. The feedback was mostly positive, with 88 percent of survey respondents indicating they were satisfied with performance audits. This result was lower than the target and prior year satisfaction rates of 95 percent and 100 percent respectively. Two Chief Executives rated the overall performance of the Office as 'poor' and 'very poor', and expressed concern that the performance audits of their agencies added little value and there was lack of communication with the agencies. The Office will continue to consult with agencies regarding their concerns and, where possible, will improve practices accordingly.

Figure 4.1: Agencies' responses to survey question: 'The audit will help our organisation to improve administration of the audited activity'



Source: Agency satisfaction surveys.

Figure 4.2: Agencies' responses – 'Performance audit - overall performance'



Source: Audit Office's statements of performance and agency satisfaction surveys.

PERFORMANCE AUDITS TABLED IN 2009-10

Six performance audit reports were tabled in the Legislative Assembly in 2009-10:

- Administration of Employment Issues for Staff of Members of the ACT Legislative Assembly (Report No. 5 of 2009);
- Government Office Accommodation (Report No. 6 of 2009);
- Performance Reporting (Report No. 1 of 2010);
- Student Support Services for Public High Schools (Report No. 2 of 2010);
- Delivery of Budget Initiatives (Report No. 3 of 2010); and
- Water Demand Management: Administration of Selected Initiatives (Report No. 4 of 2010).

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

Report No. 5 of 2009, Administration of Employment Issues for Staff of Members of the ACT Legislative Assembly (August 2009)

The audit covered the following employment issues in the Legislative Assembly:

- termination payments to Members of the ACT Legislative Assembly (MLAs) staff not re-employed after elections;
- use of staff, who have received termination payments, as volunteers; and
- management of attendance records of staff of MLAs.

As at May 2009, there were 67 full-time employees engaged by MLAs. These staff provided support, assistance and advice to the individual MLAs to assist them in discharging their duties to the ACT community and were engaged under the *Legislative Assembly (Members' Staff) Act 1989* (LAMS Act).

This legislation and the working environment of the Legislative Assembly, created an employment framework that is, in many respects, different to the general public sector environment. The employment framework for the staff of MLAs for example, reflects the circumstances of elections and other matters. This raises a number of risks and challenges in its implementation. The relevant administrative arrangements, although small in financial scale, are significant in governance and accountability terms.

The audit concluded that the employment framework, policies, procedures, and guidelines in place for the engagement of MLAs' staff were generally sound. However, the implementation of these procedures and practices needs improvement to address a number of deficiencies. In particular:

- all MLAs including Ministers are the employers, but they or their nominated supervisors have not always supervised staff compliance with legal and procedural requirements. Support services provided by the Chief Minister's Support and Protocol Unit and the Secretariat were advisory,

and were not intended to enforce compliance;

- the justification for termination payments to MLAs' staff at the end of Legislative Assembly terms needs review and reconsideration. At the end of the 6th Assembly, 35 staff were paid termination payments totalling almost \$470,000. Some staff who received termination payments returned as volunteers early in the 7th Assembly, and were subsequently employed as staff of MLAs. The Office considers staff of MLAs were employed under fixed term contracts, and therefore should not be eligible for a termination payment at the end of Legislative Assembly terms; and
- internal control over submission of attendance and leave forms, particularly by staff of some Ministers was inadequate. There was little follow up of attendance records by the employing MLAs or other nominated supervisors.

There were eight recommendations made to address the audit findings detailed in this report. All were agreed or agreed in principle, although the Chief Minister's Department did not support part of one recommendation.

Report No. 6 of 2009, Government Office Accommodation (August 2009)

All government agencies require appropriate office and operational accommodation for the efficient delivery of services. ACT Government agencies occupied 54 000 m² in leased premises and about 38 000 m² in owned premises for office accommodation. Property rental and associated expenditure was a significant administrative expense for ACT Government agencies, and in 2007-08, was estimated at \$50 million.

The audit examined the strategic planning, management, and delivery of government office accommodation projects at the whole-of-government level as well as the agency level, using case studies of individual office projects. The case studies were:

- the relocation of the Department of Education and Training to 220 Northbourne Avenue, Braddon;
- the refurbishment of Eclipse House for occupancy by the Shared Services Centre; and
- the acquisition of leased premises at Fairbairn to relocate the Emergency Services Agency (ESA) Headquarters.

The audit concluded that the ACT Property Group (within the Department of Territory and Municipal Services) had delivered, within a short timeframe, a range of office accommodation projects that generally met the requirements of the relevant Government 2006-07 Budget initiatives. Other findings included:

- Government did not have a whole-of-government office accommodation strategic plan to assess its future needs and inform its current accommodation strategy; and
- the ESA Headquarters relocation project experienced significant delays, substantial cost increases and was not completed. There were serious

deficiencies in the early decision-making process in entering into long-term leases and financial commitments without proper advice, planning and analysis of suitable options.

The audit made fifteen recommendations to address the issues raised. Agencies agreed to fourteen recommendations and agreed in part to one, and advised that work had started on the implementation of these recommendations.

The Public Accounts Committee has determined to conduct an inquiry into this report. The inquiry has not yet commenced.

Report No. 1 of 2010, Performance Reporting (April 2010)

Most ACT Government agencies are required to present, in their budget papers, accountability and strategic performance indicators, and report on their achievements against targets in their annual statement of performance and annual reports. Through an effective performance measurement and reporting system, Government and its agencies can be accountable for their performance to the Legislative Assembly and the general community, and can improve their performance over time.

The audit examined the accuracy, relevance and completeness of performance reporting by selected departments and statutory authorities. The Office also assessed the quality of indicators used by agencies for performance reporting in the budget papers, their statement of performance and annual reports.

The audit concluded that performance reporting by audited agencies was in most cases accurate, and sufficiently covered key activities set out in the Budget Papers. However, the relevance and usefulness of performance measures varied significantly between agencies. In some agencies, many performance measures were unclear, unhelpful, or not well aligned to strategic or operational objectives. The audit also found that:

- some strategic indicators were merely descriptions of activities or strategies rather than outcome-based and long-term focussed;
- the statements of intent of some statutory authorities lacked clarity, had some poor performance measures, and did not cover sufficiently their legislative functions;
- some agencies prepared performance indicators only to comply with external reporting purposes, and did not monitor, analyse or use the results of performance indicators for management purposes; and
- annual reports of the agencies examined during the audit were generally accurate and reasonably complete, although there was scope for further improvement in reporting on ecologically sustainable development.

The audit made eight recommendations to address the issues raised. The Chief Executive of the Chief Minister's Department, on behalf of the audited agencies, agreed, or agreed in part, with all recommendations.

Report No. 2 of 2010, Student Support Services for Public High Schools (May 2010)

This audit assessed the delivery of selected services by the Department of Education and Training to support students with particular needs, such as those with challenging behaviours.

The audit focussed on several programs - Student Counsellors, Pastoral Care Co-ordinators, Youth Support Workers, and Student Management Consultants, which includes the Complex Needs Team. Some of these programs involve selected and targeted interventions with individual learning plans for the students, intense individual strategies and regular monitoring and review, to support students to participate positively in the school community.

The audit found that the Department delivered a wide range of services to support public high schools and their students with particular needs within a sound policy framework and guidelines.

Overall, the services selected for audit were valued by school staff and generally had assisted schools in managing and supporting students with challenging behaviours and complex needs. Access to services was reasonable.

However, the Department did not have sound procedures and systems to collect and analyse relevant information on the audited services. As a result, it did not have sufficient and reliable information to effectively plan and allocate resources, ensure the quality of services, or fully evaluate the effectiveness of the services.

The audit made eleven recommendations to address the audit findings. The Department agreed or partially agreed to all recommendations.

Report No. 3 of 2010, Delivery of Budget Initiatives (June 2010)

The ACT annual budget outlines the ACT Government's policy directions and operational priorities. Agencies are allocated funding for new budget initiatives, reflecting the ACT Government's funding priorities for the budget year and forward years. Agencies must implement the recurrent and capital initiatives as specified in the Budget in an efficient and effective manner. The funding for new recurrent and capital initiatives in 2007-08 and 2008-09 (\$199 million and \$378 million respectively) reflected the ACT Government's policy commitment to a major program of targeted investment in infrastructure.

The audit examined whether the relevant agencies had delivered selected budget initiatives for which they received funding in the 2007-08 and 2008-09 budgets. The Office also assessed whether the agencies had sound strategies and appropriate plans to implement the budget initiatives, including monitoring, evaluating and reporting results against specified outputs or other performance measures.

The audit found that agencies had adhered to the planned scope of the budget proposals and, in most cases, delivered the selected recurrent initiatives within budgets, but with some delays. Several agencies were not able to spend all the

funding provided for their recurrent initiatives within the budget years and ‘rolled over’ funds to the following years. On average, agencies underspent the recurrent funding for the selected initiatives by about 40 percent.

The audit also found that all selected capital works initiatives were implemented by agencies in accordance with the scope and objectives submitted in the budget proposals. However, 45 percent of the capital works projects reviewed were not completed on time and or within budget. There were significant delays in completing several infrastructure and capital works projects. There were many reasons for these delays, but the main reason was the lack of effective planning and project management.

The audit concluded that there was scope to improve the processes used by agencies to implement budget initiatives, including planning, project management, risk management and performance management.

The report made four recommendations to address the issues raised. The audited agencies, agreed, or agreed in part, with all recommendations.

Report No. 4 of 2010, Water Demand Management: Administration of Selected Initiatives (June 2010)

Water management is a national environmental issue, and the ACT region is no exception from the need to introduce water efficiency measures.

The audit reviewed administration of selected water demand management measures announced in the 2004 *Think water, act water* strategy, focusing on:

- permanent water conservation measures and temporary water restrictions;
- selected residential water saving initiatives; and
- the Flemington Roads Ponds Project as the pilot for the broader Canberra Integrated Urban Waterways Program.

The audit concluded that various water demand management measures delivered under *Think water, act water*, and related measures, have contributed to significant water saving targets. The administration of selected water saving measures delivered mixed results. In particular:

- permanent water conservation measures and temporary water restrictions were well managed and achieved significant water savings;
- the selected residential initiatives had low take-up rates and water savings were likely to be over-estimated;
- the Flemington Road Ponds Project experienced significant delays and had not delivered any non-potable water to end users as originally intended; and
- the Department of the Environment, Climate Change, Energy and Water (DECCEW) needs to improve reliability of measures of water savings and evaluate the merit of water saving measures.

The audit made eight recommendations to address the audit findings detailed in this report. The Managing Director of ACTEW Corporation Limited and the Chief Executive of DECCEW agreed, agreed in principle, or agreed in part, with the recommendations.

INDEPENDENT SCRUTINY OF PERFORMANCE AUDIT FUNCTION

In 2009-10, the Chief Minister, following request from the Legislative Assembly Committee on Public Accounts commissioned an independent performance audit of the Audit Office. This independent review included an examination of the Office's performance audit activities, including policies and practices, and a detailed examination of a sample of recently completed audits.

The independent auditor found that:

- *The Office's performance audit function is generally well managed and effective, and meets the requirements of ASAE 3500 Performance Engagements, but there is scope for attention to some aspects (page 15);³*
- *The Legislative Assembly and the public obtain a valuable and professional service from the Office for the funds allocated to it for performance audits (page 15);³*
- *Aspects of the performance audit function that [were] considered to be sound included the topic selection process; the creation of an Audit Work Plan at the outset of each audit, the robustness of the new Performance Audit Methods and Practices (PAMPr) Manual and the comprehensiveness of evidence (page 15);³*
- *Documentation on individual performance audit files was generally maintained at an appropriate standard and audit findings reflected the evidence obtained. ... Each audit file demonstrated a sound basis for all significant published audit conclusions (page 18);³*
- *The Office has a very well-established and robust process in place to guide the selection of a performance audit program (page 25);³*
- *The Office's performance audit reports satisfy all reasonable criteria for good reporting. They were well-structured and the layout and language used made for easy reading. Findings and recommendations were clearly expressed, as was the rationale for each audit having been undertaken. Executive Summaries were accurate and concise and the consolidated list of recommendations in each report would be useful for the reader who was not able to read the whole report (page 40);³ and*
- *Despite the difficulties associated with high levels of staff turnover, the Office has a consistently good record in completing its performance audits in a short timeframe and at an average cost significantly below other jurisdictions (page 49).³*

³ Bob Sendt & Associates, 'Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office,' 3 May 2010.

The independent reviewer's comments were a welcome assessment of the operations of the small performance audit team, and recognise the inherent difficulties of providing a comprehensive performance audit program, across a wide range of government activities. The reviewer concluded that the size of the (performance audit) program provided by the current funding level makes it difficult for the Office to plan a series of successive audits on a particular theme (such as environmental protection, governance, risk management). In turn, this limits the opportunity for any real degree of specialisation by those employed in the Office, which would allow skills and knowledge from one audit to be transferred to the next. The small complement of performance audit staff also means that the impact of staff turnover (even if at a more normal level than recently experienced) will have significant consequences.

AUDIT METHODOLOGY AND QUALITY ASSURANCE

During the year, the performance audit team completed a review and documentation of performance audit policy and practices. The resulting document provides a concise and clear statement of policy in relation to the specific aspects of a performance audit, and the associated practice statements. Templates for various documents have been prepared to encourage consistency in use and application.

As an extension of this, the performance audit team has adopted and implemented audit software (ASPIRE), which is a tailored version of the software used for performance management systems audits in the Queensland Audit Office. Audits conducted since early 2010 are using the software, which will encourage better documentation and audit project management.

Peer review

During the year, arrangements were also made with the Tasmanian Audit Office to undertake a peer assessment of selected performance audits. The peer review provides an opportunity to have an independent review of audit files, using an agreed program that focuses on relevant key aspects of the professional standard APES 320 'Quality Control for Audit Firms' and ASAE 3500 'Performance Engagements'.

The peer review found that:

- *sufficient appropriate audit evidence had been collected to support [the] findings and conclusion;*
- *the audits' conclusions were consistent with the findings and analysis; and*
- *the audits had been conducted in accordance with the Office's Performance Audit Methods and Practices and professional auditing standards.*

The reviewer made several recommendations to improve the overall quality of performance audit planning and documentation, all of which were considered in detail. Most were agreed, and have been implemented. Some amendments to the Performance Audit Methods and Practices manual have been made and various templates updated. The final stage of implementation will occur when the Office's new performance audit software

is fully operational on all performance audits. At present, the software is in use, but refinement to suit the operational needs of the Audit Office is continuing.

5. ANALYSIS OF PERFORMANCE - FINANCIAL AUDIT ACTIVITIES

STATUTORY REPORTING

The Audit Office is required by legislation⁴ to provide reports that include an independent opinion on the financial statements and, where applicable, the statements of performance of the Territory and its agencies. These reports provide readers with an impartial opinion on whether the information being reported by agencies fairly presents their financial results and performance.

In December 2009, the Audit Office tabled a report that summarised the results of the Office's examination of the financial statements and statements of performance prepared by the reporting agencies.

Report No. 8 of 2009, 2008-09 Financial Audits

The report provides a summary of the main audit findings identified during Audit Office's annual program of financial audits. Matters typically reported include weaknesses in agencies' governance arrangements and internal controls, legislative breaches and errors and fraud.

The report also includes an analysis of the 2008-09 financial results and budget performance of the Territory and many of its agencies.

One audit report from the 70 reports issued was qualified because the Office was unable to verify information included in the financial statements. Two of the 28 reports of factual findings on agencies' statements of performance were qualified because some performance measures had not been measured.

Although the quality of financial reporting had improved in 2008-09, there was scope for further improvement with around 30 percent of financial statements being rated by the Audit Office as 'fair' or 'unsatisfactory'. Agencies that were not preparing satisfactory financial statements often relied excessively on the financial audit process, rather than their reporting processes, to prepare their financial statements.

The Audit Office found that the quality of statements of performance had declined with the percentage of agencies preparing 'good' or 'satisfactory' reports falling from 74 percent in 2007-08 to 64 percent in 2008-09. A significant proportion of 2008-09 statements of performance were assessed to be unsatisfactory (22 percent) and there were several instances where the performance of agencies was not explained meaningfully in these statements because the measures and the associated performance targets selected by agencies were not useful or relevant.

⁴ For example, the *Auditor-General Act 1996*, *Financial Management Act 1996* and *Corporations Act 2001*.

PROVIDING GUIDANCE ON FINANCIAL AND PERFORMANCE REPORTING

The Audit Office continued to provide technical advice on accounting and reporting requirements to the Department of Treasury and other reporting agencies.

The Department of Treasury sought the Audit Office's views on its accounting and reporting guidance material prior to it being released to agencies. This consultation process is a particularly effective way of ensuring agencies prepare financial statements in accordance with the relevant accounting and reporting requirements within tight whole-of-government reporting and audit timeframes.

In 2009-10, the Audit Office provided advice to the Department of Treasury on the:

- 'model' financial statements used by agencies to prepare their financial statements;
- applicable reporting requirements when there has been a restatement of the prior year comparatives;
- accounting policy on finance leases for ACT passenger and light commercial motor vehicles using SG Fleet; and
- accounting for and disclosure of commercial land sales in the whole-of-government financial statements.

As part of its financial audits, the Audit Office also assisted agencies to improve the quality of their annual financial statements and statements of performance by providing advice on these statements before their inclusion in agencies' annual reports.

The Audit Office conducted a financial audit information seminar for agencies, which provided an overview of the significant reporting and internal control issues identified by the Office in the previous reporting period and major changes to reporting requirements. This seminar was attended by over 100 agency representatives, and was well received as a valued service from the Office. The Office also presented similar information to the senior executives and internal audit committees of agencies, following requests by these agencies.

MEETING THE DEMAND FOR TECHNICAL ADVICE ON FINANCIAL AND PERFORMANCE REPORTING

The Audit Office advises agencies that they should, wherever possible, seek the Office's views on significant or complex accounting and reporting matters before an audit commences. Effective liaison with the Office reduces the risk of:

- qualified reports and other negative commentary on financial statements and statements of performance;
- major adjustments to financial statements and statements of performance during the audit process; and
- agencies failing to meet their legislative reporting deadlines.

In the 2008-09 annual report, the Audit Office advised that it had assigned an experienced senior audit manager (Senior Manager, Technical and Quality Assurance) the role of assisting the Office to meet its technical needs, and that processes for obtaining technical advice from private sector audit firms had been established. These arrangements again worked well in 2009-10, with the Office's financial audit managers and reporting agencies being provided with the technical support needed to address complex accounting and reporting issues in a timely manner.

Towards the end of 2009-10, the Audit Office recruited a senior financial auditor to, among other tasks, assist in researching audit and accounting issues as needed. These additional resources will assist the Office to meet the continuing high demand for advice from its small resource base. The Office plans to further strengthen its technical capacity by rotating senior financial auditors through this role.

MEETING PERFORMANCE TARGETS

Table 5.1: Performance measures for financial audit

| | 2008-09 Actual | 2009-10 Actual | 2009-10 Target |
|---|-------------------|-------------------|-------------------|
| Quantity | | | |
| Number of audit opinions issued on financial statements | 70 | 74 | 75 |
| Number of reports of factual findings issued on statements of performance | 27 | 28 | 27 |
| Quality and effectiveness | | | |
| Percentage of agencies satisfied with financial audits | 100% | 100% | 95% |
| Percentage of recommendations accepted in financial audits | 93% | 92% | 95% |
| Percentage of financial audits completed within the required timetable | 93% | 93% | 100% |

Source: Audit Office's statements of performance and agency satisfaction surveys.

Audit reports and reports of factual findings

In 2009-10, the Audit Office met its reporting obligations and issued an audit report or a report of factual findings in all cases where it was legislatively required to do so.

The number of audit reports issued on financial statements (74) was close to the targeted number (75). During the year:

- five financial statements for the Lyons Joint Venture were not provided to the Audit Office⁵ and two audits⁶ were no longer required; and

⁵ The five audits relating to the Lyons Joint Venture were completed on 30 July 2010.

⁶ One expected acquittal audit of Commonwealth funding under the *Australian Land Transport Development Act 1988* was no longer required and ACTEW China Pty Limited was wound up.

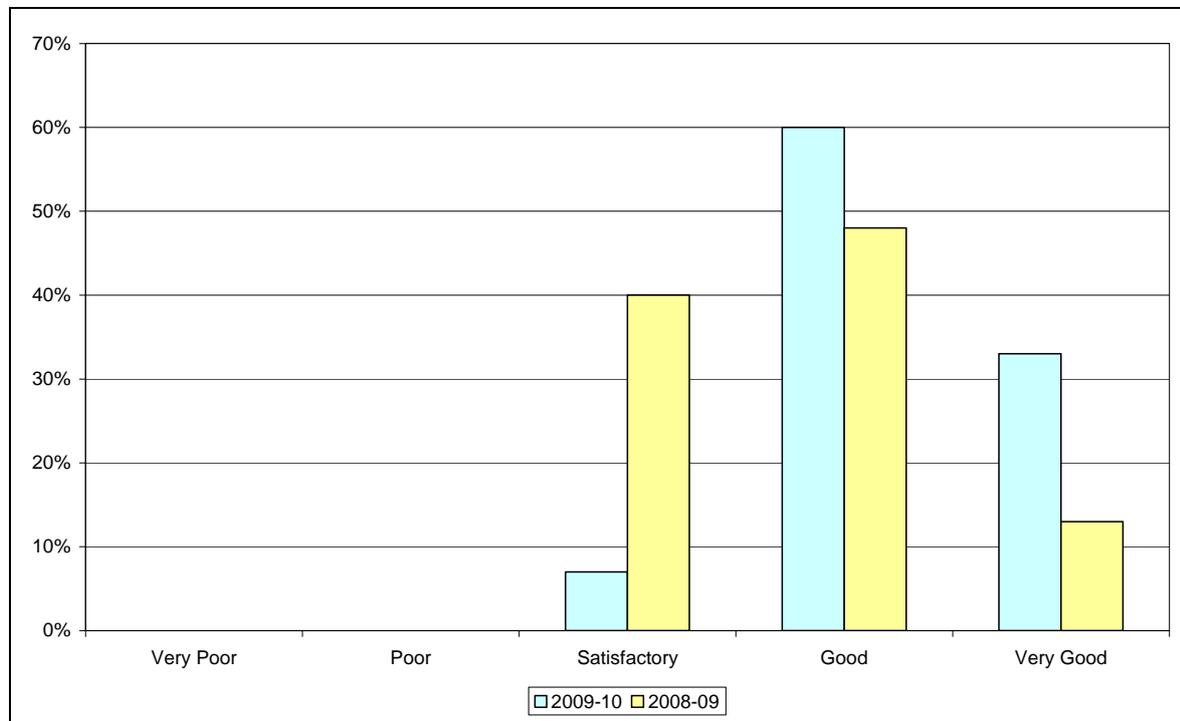
- new financial audits were completed, including the new Department of the Environment, climate Change Energy and Water (DECCEW) and some Commonwealth funding acquittal audits.⁷

The completed reports are listed in the Office’s statement of performance at pages 142 to 144 of this report.

The Audit Office issued one more report of factual findings than expected with the completion of the review of the statement of performance for DECCEW in 2009-10.

Satisfaction with financial audits

Figure 5.1: Agencies’ responses – ‘Financial audit - overall performance’



Source: Audit Office’s statements of performance and agency satisfaction surveys.

In 2009-10, the Audit Office’s performance was rated highly by agencies. All responding agencies indicated they were satisfied with the Office’s performance with 93 percent (87 percent in 2008-09) of respondents rating the Office’s performance as ‘good’ (60 percent) or ‘very good’ (33 percent).

⁷ Commonwealth funding acquittal audits related to the Building the Education Revolution Program, Heavy Vehicle Safety and Productivity Program and Albert Hall Refurbishment Project.

The independent auditor reported that the positive assessment of the Audit Office's performance was consistent with the favourable feedback provided to the auditor in interviews with agencies.⁸

The Audit Office also sought further information from agencies on specific aspects of its performance in its annual satisfaction surveys to identify areas for improvement. The comments provided by agencies were positive and indicated agencies were largely satisfied with the professional and constructive way in which audits were conducted.

No staff left in the financial audit team in 2009-10 and this improved the capacity of the Office to assign audit teams with previous knowledge and experience of the agencies. The experience of the audit teams also received favourable comments in some agency surveys.

A few agencies felt that communication between the audit team and the agency could be improved, particularly during the audit process and when drafting audit findings. One agency indicated that the audit management report needed to be issued in a timelier manner and another requested more of the audit work be performed on site at the agency.

Feedback is carefully considered by the Audit Office and, where appropriate, discussed with the agency with a view to continuing to improve audit methods and practices.

Acceptance of audit recommendations

Australian Auditing Standards require the Audit Office to communicate matters of governance interest identified during an audit to those charged with the governance of the agency. These matters include deficiencies in governance arrangements and internal controls, breakdowns in internal control, poor financial management procedures and errors in the financial statements or statements of performance.

The Audit Office reports these matters in an audit management report. This report provides details of the audit findings and the associated recommendations together with the comments provided by the agency.

The Audit Office made 452 recommendations in 2009-10 and 416 (92 percent) were accepted by agencies. This acceptance rate is close to the target and prior year acceptance rates of 95 percent and 93 percent respectively.

The high acceptance rate of recommendations by agencies indicates that the Audit Office is providing sound advice and practical recommendations to agencies.

⁸ Bob Sendt & Associates, 'Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office,' 3 May 2010, page 1.

Financial audits completed within the required timetable

The ‘required timetable’ refers to the timetable agreed between the Audit Office and Treasury to meet legislative requirements, or, where there is no legislative timeframe, the timeframe agreed between the Office and the agency.

Achievement of this timetable is not entirely within the control of the Audit Office as it requires reporting agencies to provide satisfactory financial statements to the Office by the scheduled date to provide sufficient time for the audit to be completed. In this context, the Office’s target of completing all (100 percent) financial audits within the required timetable is challenging.

The Audit Office completed 69 (93 percent) of the 74 completed financial audits within the ‘required timetable’. This result is below the target (100 percent) and is consistent with the prior year’s result (93 percent).

The Audit Office did not complete five audits within the required timetable. These were Community Housing Canberra Limited, University of Canberra, Forde Joint Venture (December), Crace Joint Venture (December) and Albert Hall Refurbishment Project. These agencies did not provide their financial statements to the Office within the agreed timeframe. Although these audits were completed later than planned, all audits were completed in time for agencies to meet their statutory reporting deadlines.

The timeliness results in 2009-10 are consistent with the findings of the independent auditor that:

The Office has one of the best records of all state and territory audit offices for completing its financial report audits in a timely manner. Where it has not completed an audit according to its own timing benchmarks, this has largely been due to the agency concerned being late in submitting its financial report. (page 46)⁹

QUALITY CONTROL – THE APES 320 PROJECT

The Audit Office is required to meet the requirements of Auditing Standard APES 320: ‘Quality Control for Audit Firms’. The standard covers the governance arrangements and audit practices that must be applied by audit firms and applies to the corporate, financial audit and performance audit operations of the Office. The independent auditor noted that:

...APES 320 is not just about auditing. It is about ensuring the entire audit practice i.e. the Audit Office is well managed in all key aspects. The importance of APES 320 (and its international equivalent ISQC1) in mandating higher minimum quality control standards – particularly in audit firms – cannot be overstated. (page 7)⁹

⁹ Bob Sendt & Associates, ‘Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office’, 3 May 2010.

Maintaining the documentation needed to demonstrate compliance with this auditing standard is onerous and resource intensive for small operations such as the Audit Office. In its 2008-09 annual report, the Office advised that its assessment of compliance with the requirements of APES 320 had taken longer than expected due to resource constraints. The Office completed this assessment in 2009-10 and is giving a high priority to ensuring the Office's practices, systems and records demonstrate compliance with APES 320.

The independent auditor commented favourably on the approach adopted by the Audit Office in addressing the requirements of APES 320 and found that:

*In implementing a new system of quality control to meet the new standards, the Office has adopted a thorough and professional approach. (page 8)*¹⁰

Monitoring and improving the quality of financial audit work

The Audit Office seeks to improve the quality of its financial audits by performing annual quality assurance reviews of a selection of audit files.

In 2009-10, an internal review examined selected financial audits. The independent audit of the Audit Office also included a review of selected audits and identified areas for improvement including documentation, sampling, analytical reviews and quality control.

The Audit Office has agreed to the seven financial audit recommendations made by the independent auditor. An action plan has been developed to implement the recommendations and the status of implementation of each recommendation is monitored by the Office's Executive team. The Office plans to implement all agreed recommendations by December 2010.

Findings from the internal and external reviews in 2009-10 have been discussed with the financial audit teams and were addressed in the annual financial audit methodology training held in March 2010. For each audit, financial audit teams are required to complete a checklist and 'sign off' that these review findings have been addressed. Future quality assurance reviews will focus on whether the findings have been addressed.

The Audit Office is also seeking advice from its financial audit contractors that issues identified from quality assurance reviews have been addressed.

OTHER ACTIVITIES

In 2009-10, the Audit Office again provided information seminars on its financial audit operations. Feedback was positive and indicates the information provided by the Office is relevant and has improved attendees' understanding of the audit process.

¹⁰ Bob Sendt & Associates, 'Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office', 3 May 2010.

The Audit Office's representatives also regularly attended meetings of the internal audit committees of major agencies. Attendance at these meetings improves on-going communications with agencies and helps the Office to be informed of emerging issues affecting the operations of key agencies.

INDEPENDENT SCRUTINY OF FINANCIAL AUDIT FUNCTION OF THE OFFICE

The 2010 independent performance audit of the Audit Office included an examination of the Office's financial audit activities. The independent auditor considered the overall governance of financial audit operations, financial audit methodology¹¹, quality control applied to audits and compliance with Australian auditing standards. The performance audit also included a detailed examination of a selection of financial audit files to determine whether audits were conducted in accordance with the Australian auditing standards.

The independent auditor found that:

- *the Office's financial audit function is generally well-managed and professional.* (page 8);¹² and
- *... in most cases, the audit methodology was applied appropriately and in a way that met the requirements of the auditing standards.* (page 9)¹²

Many significant revisions have been made to auditing standards in recent years. These have significantly increased the amount of work required to complete each audit. Smaller audit operations, such as the Audit Office, have limited resources to address such changes. In this context, this favourable assessment by the independent auditor reflects particularly well on the Office's financial audit work.

¹¹ The Audit Office uses an electronic financial audit methodology called IPSAM ('Integrated Public Sector Audit Methodology'). This methodology was developed by the Victorian and Queensland Audit Offices.

¹² Bob Sendt & Associates, 'Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office', 3 May 2010.

6. ANALYSIS OF FINANCIAL PERFORMANCE

FINANCIAL RESULTS

The Audit Office's financial results for the 2007-08 to 2009-10 reporting periods are discussed below.

Table 6.1: Financial results

| | 2007-08 Actual \$ 000 | 2008-09 Actual \$ 000 | 2009-10 Actual \$ 000 | 2009-10 Budget \$ 000 |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Appropriation | 2 004 | 2 072 | 2 112 | 2 112 |
| Financial audit fees | 3 691 | 3 230 | 3 274 | 3 200 |
| Worker's compensation recovery | - | - | 82 | - |
| Other | 99 | 80 | 76 | 60 |
| Income | 5 794 | 5 382 | 5 544 | 5 372 |
| Employees | 3 252 | 3 554 | 3 655 | 3 528 |
| Supplies and services | 2 466 | 1 802 | 1 627 | 1 724 |
| Depreciation | 76 | 93 | 79 | 95 |
| Expenses | 5 794 | 5 449 | 5 361 | 5 347 |
| Operating surplus / (deficit) | - | (67) | 183 | 25 |

Source: Audit Office's audited financial statements.

INCOME

In 2009-10, the Audit Office's income was obtained from financial audit fees (59.1 percent) and appropriation (38.1 percent).

2009-10 Income compared to budget and the prior year

In 2009-10, income (\$5 544 000) exceeded the budgeted and prior year amounts by \$172 000 (3.2 percent) and \$162 000 (3 percent) respectively due largely to a worker's compensation recovery from Comcare and higher financial audit fees.

Financial audit fees (\$3 274 000) slightly exceeded the budget estimate (\$3 200 000) and prior year amount (\$3 230 000).

This mostly reflects:

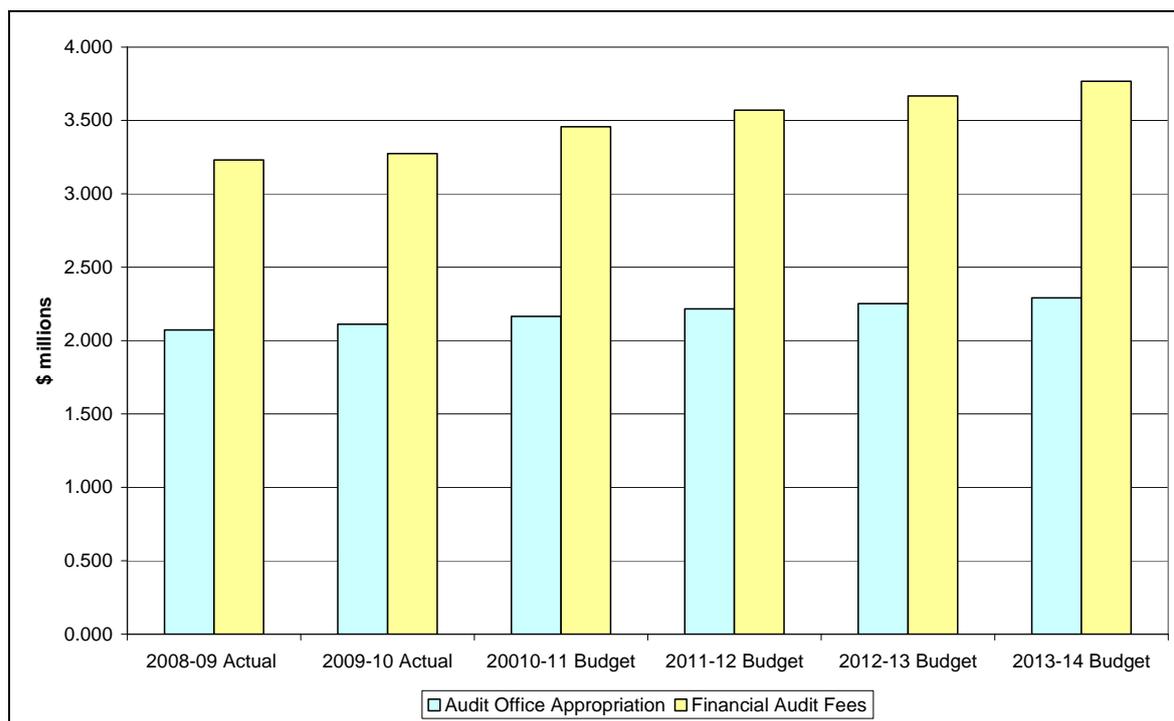
- ‘one-off’ revenue (\$96 000) earned from performing audits of financial statements relating to the Lyons Joint Venture, final audits relating to the ACT Cleaning and Construction Industry Long Service Leave Authorities and some Commonwealth grant acquittals;
- additional audit fees obtained from auditing the financial statements of the new Department of the Environment, Climate Change, Energy and Water and the commencement of the audit of Department of Land and Property Services. These higher fees were offset by no audit fees being obtained from ECOWISE Environmental Pty Limited following its sale; and
- increases to audit fees by the wage price index of 3.5 percent and a further four percent to recover an appropriate share of the costs of office-wide projects and systems such as quality control. The four percent increase was consistent with a recommendation made by the independent auditor of the operations of the Audit Office on the determination of audit fees.

Trends in income

Since 2007-08, appropriation funding has grown by \$108 000 (an average of 2.7 percent per annum), and financial audit fees have fallen by \$417 000 (or an average of 5.8 percent per annum).

Financial audit fees charged by the Audit Office reflect the costs of completing the financial audit program. These costs are largely influenced by the number and complexity of audits along with other factors such as the auditing, accounting and reporting requirements, adequacy of agencies financial reporting systems etc.

Over the period from 2009-10 to 2013-14, financial audit fees are expected to increase on average by 3.8 percent per annum and the appropriation provided is expected to increase by around 2.1 percent per annum.

Figure 6.1: Trends in income

Source: Audit Office's audited financial statements and 2010-11 Budget Paper No. 4.

EXPENSES

Most of the Audit Office's expenses consist of employee expenses. The remaining costs are for supplies and services costs, which mostly consist of audit contractor expenses, accommodation costs, information technology, training and printing costs.

2009-10 Expenses compared to budget

In 2009-10, expenses (\$5 361 000) were generally in line with budgeted costs:

- employee expenses (\$3 655 000) exceeded the budgeted cost (\$3 528 000) by 3.6 percent due mainly to growth in long service leave entitlements, pay rises and higher superannuation payments; and
- supplies and services costs (\$1 627 000) were \$97 000 (5.6 percent) lower than budgeted costs as no performance audits were conducted by an external contractor during the year. This funding was used to pay the salary for a senior performance audit manager.

2009-10 Expenses compared to the prior year

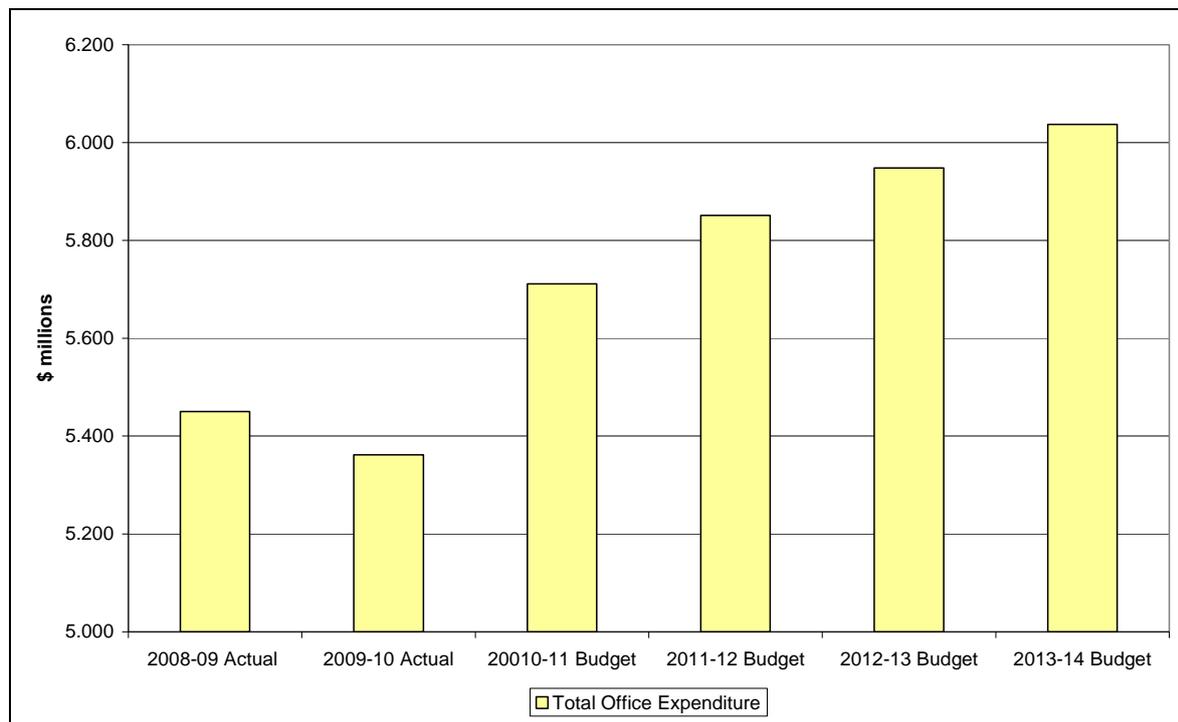
In 2009-10, expenses (\$5 361 000) fell by \$88 000 (1.6 percent) from the previous year's cost (\$5 449 000).

Supplies and services expenses fell by \$175 000 (9.7 percent) due mainly to lower costs in engaging contractors for financial audits. This fall was partly offset by higher employee expenses of \$101 000 (2.8 percent) resulting from pay rises and a growth in long service leave entitlements.

Trends in expenses

Over the period from 2009-10 to 2013-14, expenses are expected to increase on average by around 3.1 percent yearly. This growth mainly reflects expected higher employee costs.

Figure 6.2: Trends in expenditure



Source: Audit Office's audited financial statements and 2010-11 Budget Paper No. 4.

OPERATING RESULTS

2009-10 Operating result compared to budget and the prior year

The Audit Office's operating surplus (\$183 000) exceeded the budgeted surplus (\$25 000) and prior year deficit (\$67 000).

The higher than expected surplus mostly reflects 'one-off' revenue from performing audits of financial statements relating to the Lyons Joint Venture, final audits of the ACT Cleaning and Construction Industry Long Service Leave Authorities and some Commonwealth grant acquittals.

As noted previously, the increase in employee expenses was reasonably close to the decrease in supplies and services expenses.

Table 6.2: Trends in operating results

| | 2008-09 Actual \$ 000 | 2009-10 Actual \$ 000 | 2010-11 Budget \$ 000 | 2011-12 Budget \$ 000 | 2012-13 Budget \$ 000 | 2013-14 Budget \$ 000 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Operating surplus / (deficit) | (67) | 183 | (49) | (26) | 11 | 61 |

Source: Audit Office's audited financial statements and 2010-11 Budget Paper No. 4.

The operating surplus of \$183 000 in 2009-10 equates to 3.0 percent of the Audit Office's revenue base. If the above-mentioned 'one-off' revenue from financial audits is removed from this result, then the adjusted operating result (\$87 000) would have been reasonably close to the small budgeted surplus (\$25 000).

The Audit Office expects to generate break-even operating results over the period from 2010-11 to 2013-14. This reflects the cost recovery nature of the operations of the Audit Office.

Financial position

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

Table 6.3: Current financial position

| | Actual 2008 \$ 000 | Actual 2009 \$ 000 | Actual 2010 \$ 000 | Budget 2010 \$ 000 |
|---------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Current assets | 2 432 | 2 407 | 2 938 | 2 422 |
| Current liabilities | 1 162 | 1 175 | 1 381 | 1 186 |
| Net current assets | 1 270 | 1 232 | 1 557 | 1 236 |
| Current ratio | 2.09 | 2.05 | 2.13 | 2.04 |

Source: Audit Office's audited financial statements.

The liquidity ratio shows that, as at 30 June 2010, the Office had \$2.13 in current assets to meet each \$1 in liabilities.

The Audit Office's current financial position continues to be sound and that the Office has sufficient assets to meet its liabilities in the short term.

Table 6.4: Long-term financial position

| | Actual 2008 \$ 000 | Actual 2009 \$ 000 | Actual 2010 \$ 000 | Budget 2010 \$ 000 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Current assets | 2 432 | 2 407 | 2 938 | 2 422 |
| Total liabilities | 1 330 | 1 281 | 1 535 | 1 344 |
| Net long-term assets | 1 102 | 1 126 | 1 403 | 1 078 |
| | | | | |
| Ratio of current assets to total liabilities | 1.83 | 1.88 | 1.91 | 1.80 |
| | | | | |

Source: Audit Office's audited financial statements.

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

The above ratio shows that the Audit Office's long term financial position has been stable over time and that, as at 30 June 2010, the Office has sufficient assets to meet its liabilities over the long term.

7. MANAGEMENT OF THE AUDIT OFFICE

MANAGEMENT STRUCTURE

The Auditor-General is a statutory position appointed under the *Auditor-General Act 1996*. To support the Auditor-General, the Audit Office is structured as two branches; each is led by a Director:

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

Management activities are facilitated through various forums including the following committees:

Table 7.1: Internal Committees

| Name of Committee/Meeting | Purpose of Committee | Membership |
|-------------------------------|--|--|
| Executive Committee | The Executive Committee is the senior group responsible for the governance of the Office. The Executive meets weekly to provide strategic direction, discuss Office policies, monitor the Office's overall performance, and determine strategic and operational priorities for the Office. | Auditor-General Director, Financial Audits Director, Performance Audit and Corporate Services |
| Management Committee | This group meets monthly to discuss the Office's activities, report on progress against targets and raise audit and corporate issues requiring attention. | Chaired by Auditor-General Directors Managers Staff representative |
| Office Consultative Committee | The Committee provides a formal forum for liaison between the Office Executive Committee and staff, particularly in relation to the development and review of organisational policies and work practices. The Consultative Committee meets at least four times during the year. | Director, Performance Audit and Corporate Services Three staff representatives nominated by staff |
| Financial Audit Management | The forum considers strategic and operational issues affecting the financial audit function. It meets fortnightly or as required. | Chaired by Director, Financial Audits Financial Audit Managers Auditor-General and Director, Performance Audit and Corporate Services have a standing invitation to attend |

| Name of Committee/Meeting | Purpose of Committee | Membership |
|------------------------------|---|--|
| Performance Audit Management | The forum considers strategic and operational issues affecting the performance audit function. It meets fortnightly or as required. | Chaired by Director, Performance Audit and Corporate Services Performance Audit Managers Auditor-General and Director, Financial Audits have a standing invitation to attend |
| Corporate Services Team | The forum considers strategic and operational issues affecting the corporate services function. It meets monthly or as required. | Chaired by Manager, Corporate Services Corporate staff Director, Performance Audit and Corporate Services has standing invitation to attend. |
| All Staff Meetings | These meetings aim to share information and discuss general and specific Office issues with all staff. | Chaired by a staff member Attended by all in the Office |

STRATEGIC AND ORGANISATIONAL PLANNING

The Audit Office has identified its future corporate directions and its outcomes and objectives in its three year Strategic Plan. The current Plan, which is due to expire in 2011, was reviewed and updated at the Office's annual planning day in February 2010. This provided an opportunity for staff to have input in identifying and setting priorities for the Office in 2010. It also provides a means of ensuring that management and staff share a common view about the goals of the Office and the areas of responsibility.

The Strategic Plan is supported by an internal action plan. The action plan identifies and assigns responsibility for specific tasks and timeframes for completion. Actions from this Plan and progress are included in weekly activity status reports that are monitored by the Office's Executive Committee.

RISK MANAGEMENT

The Audit Office has a comprehensive Risk Management Framework which is consistent with the ACT Government's Risk Management Guidelines and the Risk Management Standard AS/NZS 4360:2004. The framework includes a Risk Management Plan and a Business Continuity Plan.

The Management Committee has overall responsibility for the monitoring and reporting of risk management in the Audit Office. The Committee is guided by the Office's Risk Manager who is responsible for ensuring that the Risk Management Plan, which incorporates the risk register, is reviewed bi-annually. These reviews were conducted in August 2009 and March 2010.

In January 2010, the Office’s Business Continuity Plan was tested by RiskLogic, an external provider of risk management services. The objective of the testing was to familiarise staff with business continuity procedures, identify potential gaps in the Business Continuity Plan and measure potential recovery and relocation timeframes for staff and systems. As a result of the testing, the Office’s Business Continuity Plan was reviewed and improved.

INTERNAL AUDIT AND REVIEW COMMITTEE

The Audit Office’s Internal Audit and Review Committee operates in accordance with its charter and reports directly to the Auditor-General. During 2009-10, the Committee convened five meetings. Details of the membership of the Committee and meetings attended by its members are provided in the following table:

Table 7.2: Internal Audit and Review Committee

| Name | Agency | Position | No. of meetings eligible to attend | No of meetings attended |
|---------------------------------------|--------------------------|----------|------------------------------------|-------------------------|
| Will Laurie | External | Chair | 5 | 5 |
| Rod Nicholas | Auditor-General’s Office | Member | 5 | 5 |
| Graham Smith (resigned February 2010) | Auditor-General’s Office | Member | 4 | 3 |
| Tim Larnach (appointed February 2010) | Auditor-General’s Office | Member | 2 | 2 |
| Tu Pham | Auditor-General | | 5 | 5 |

To achieve its objectives, the Committee developed an annual work program to ensure the Office effectively manages key risks and complies with all applicable legislation. An internal audit of Leave Management and Time Recording was completed by WalterTurnbull in January 2010.

The Committee continued to monitor the Office’s implementation of relevant recommendations recorded in the Office’s register. This register includes recommendations from internal audit reports, the Office’s own performance audit reports and Legislative Assembly Committees’ reports that have been identified as applicable to the Office.

FRAUD PREVENTION

The Audit Office has policies and practices in place to minimise the risk of fraud and corruption. These include the Office’s Integrity Code, Personnel Delegations, Instructions on the Acceptable Access and Use of IT Resources and the Fraud and Corruption Prevention Plan . These policies were reviewed and updated during late 2008-09. The Asset Management Guidelines were updated in June 2010.

Staff have been regularly made aware of these policies and practices, and new staff are introduced to them as part of induction training.

No fraudulent activity or unethical behaviour was identified during 2009-10.

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

HUMAN RESOURCE MANAGEMENT

Staff profile

There were 37 staff employed in the Audit Office (including the Auditor-General) as at the last pay period for the financial year ended 30 June 2010 (35.74 full-time equivalent staff). The Auditor-General is appointed for a term of seven years as a full time statutory office holder under the *Auditor-General Act 1996*. All other staff are employed under the *Public Sector Management Act 1994*.

Table 7.3: Full-time equivalents and headcount

| Classification | Female | Male | Total |
|---------------------------------|--------|-------|--------|
| Full-time equivalents by gender | 13.0 | 22.74 | 35.74 |
| Headcount by gender | 14.0 | 23.0 | 37.0 |
| Percentage of workforce | 37.8% | 62.2% | 100.0% |

Further information on the Office's staff profile is included in Appendix B.

Human resource planning

During 2009-2010, following a review of policies and practices, the Office issued the following human resource management policies:

- Learning and Development Policy;
- Performance Management Policy; and
- Workforce Planning Strategy.

In support of these policies, the Audit Office's Strategic Plan included specific strategies aimed at improving the capabilities of staff by providing learning and development opportunities and implementing initiatives to retain staff so as to maintain corporate knowledge and appropriate skills in the Office. The major focus of these strategies is to address the Office's future workforce challenges.

The major workforce issues experienced by the Office include:

- continuing high demand for accountants and auditors;

- an ageing workforce: approximately 24 percent of staff fall within the 50 plus age bracket;
- difficulty in providing a career structure, which leads to difficulty in retaining staff; and
- difficulty in maintaining and enhancing the depth of knowledge and experience required to delivery quality work.

As the table below demonstrates, the staff turnover rate for 2009-10 has decreased significantly from 36.4 percent in 2008-09 to 13.5 percent. For the first time in several years, the staff turnover rate has been well below the Office’s target of 20 percent.

The permanent staff separation rate for 2009-10 was 11 percent. The permanent staff separation rate differs from the staff turnover rate as it excludes non-ongoing employees (contractors) whose contract ceased during the period.

Table 7.4: Staff movements

| Staff movements | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 |
|-----------------|---------|---------|---------|---------|---------|
| Recruitment | 10 | 17 | 10 | 8 | 9 |
| Attrition | 8 | 9 | 11 | 12 | 5 |
| Number of Staff | 30 | 38 | 37 | 33 | 37 |
| FTE | 29.4 | 34.6 | 35.4 | 31.41 | 35.74 |
| Turnover | 26.7% | 23.7% | 29.7% | 36.4% | 13.5% |

Source: Audit Office’s internal records.

Notwithstanding the overall improvement, the staff turnover remained high in the performance audit team, which saw the departure of three of the team’s four senior audit managers in 2009-10. In part, this reflected the continuing high demand for highly experienced performance auditors; two of the departing managers moved back to Australian Government agencies, and the other retired to pursue personal interests. Although the Office has been successful in recruiting new staff to the vacancies, the unexpected departure of team leaders had a significant effect on the progress of the work they were leading, and delays in completing audits and other projects were inevitable.

Short-term human resource planning

To meet audit timetables, including legislated timelines, the Audit Office needs to have detailed planning for the allocation of staff to audits, and to other activities such as planned leave, staff training, and administrative activities. The Office uses a forward planning schedule to match resources to deliver its program of audits, and in particular to meet the higher demands of the peak financial audit period (around March to October each year).

The forward planning schedule informs the Office on the need for contracting external auditors for the financial audit program. In addition, selected audits are outsourced to

external contractors where the audit requires specialised skills not available within the Audit Office, such as information technology and taxation skills.

Audit staff may work on financial and performance audits, and are also engaged to assist in specific corporate tasks. Outside the peak financial audit period, available staff are assigned to performance audits or corporate tasks.

Enhancing skills and capabilities

During 2009-10, the Office introduced improved policies for Learning and Development and Staff Performance Management, which targeted the development needs of staff and formed the Office's Learning and Development Program.

The Office has continued to support staff in obtaining and updating relevant professional qualifications from professional bodies and academic institutions, consistent with its Studies Assistance Policy. The Policy makes provision for staff to take paid study leave and for the reimbursement of the expenses associated with approved study.

LEARNING AND DEVELOPMENT

The Audit Office's learning and development program focuses on developing the Office's capacity to meet its audit responsibilities, including its corporate and people management objectives. The program is comprehensive, and is developed through consultation with staff, supervisors, and senior management.

On-the-job learning opportunities with coaching, and technical training remain an integral part of the learning and development of staff. The program continues to give attention to the key areas required to deliver effective and efficient auditing services. These include public sector issues, management skills, information technology, communication and written skills, and financial, auditing, and accounting standards.

The Audit Office encourages all staff to work towards obtaining membership of relevant professional bodies such as the Institute of Chartered Accountants in Australia or CPA Australia. During 2009-10, the Office provided support to eleven staff with study for tertiary or professional qualifications.

In 2009-10, staff time spent on learning and development averaged five days across the 35 staff, plus an additional five days provided for those staff members who accessed study leave. Expenditure on external training courses was around \$42 155 with the full cost of learning and development totalling over \$250 000.

Training provided during 2009-10 included the Office's financial audit and performance audit methodology, fraud analysis, government machinery and governance, government finance statistics, and ongoing attendance at various professional and business forums.

STAFF SATISFACTION

One key objective of the Office is to provide a productive and rewarding working environment to all staff. The Office has conducted an annual survey of staff since 2004 to seek feedback from staff on such important matters as job satisfaction, leadership and management, communication and corporate governance, and the Office working environment.

Results of the 2010 staff survey continued the positive trend seen in the last three years, with 90 percent of staff indicating satisfaction with their job.

Staff identified the top five attributes of the Office as:

- flexible working arrangements;
- effort and good work recognised;
- good working relationships;
- fair salary and benefits; and
- interesting work.

Examples of staff responses in the 2010 survey included:

Everyone works hard towards making the Audit Office as good as it can be.

Overall, I feel that the Office provides an excellent place of work and the people are a pleasure to work with.

[The Office has] high credibility with the Assembly and the community.

Communication within the office is very good, along with honesty and transparency.

Similar to the last year's results, most staff cited the contributions the Office makes to the community as one of the strengths of the Office. Staff also strongly supported the Office's Management Team with some 90 percent of respondents stating that they had confidence in the management.

Some staff expressed concerns about the lack of opportunities for career development and to further develop skills in the Audit Office, and cited them as potential factors contributing to any decision to leave the Office. The Office has considered these issues, and where possible, has provided acting opportunities for more experienced staff, and support their studies for professional qualifications. Nevertheless, such opportunities were limited in a small office, and the Office continues to consult and work with staff on measures to retain skilled staff.

WORKPLACE HEALTH AND SAFETY

Staff representatives

The Audit Office has a trained Occupational Health and Safety (OH&S) officer who has been assigned responsibility for promoting a healthy and safe workplace and raising the awareness of OH&S issues in the workplace.

The Office also has two trained First Aid Officers and Fire Wardens.

Improving awareness of workplace health and safety issues

The Audit Office's Occupational Health and Safety (OH&S) guidelines are provided to new staff and are readily accessible to all other staff.

Staff are encouraged to take a proactive approach to ensuring the workplace is a healthy and safe place to work.

Workplace safety assessments are periodically performed. In 2009-10, the Audit Office arranged for an professional occupational health and safety inspection to be performed and the results of that inspection were subsequently discussed in a staff meeting.

Sharing the workload

The Audit Office's work programs inevitably place high workloads on staff, particularly during peak audit periods. The Office shares this workload among teams to minimise instances of excessive periods of long hours. The Office uses a 'staff forward planner' to formally plan and organise the workload and to enable staff to effectively plan for their recreational, study or other leave.

The Audit Office supports flexible working arrangements for staff and promotes a healthy work/life balance. The 2010 annual staff survey indicated that the large majority of staff felt they were well supported by the Office in meeting their personal and family commitments.

Workstation – staff practices and assessments

The administrative nature of the work means that staff will often work at workstations for prolonged periods of time. Staff are encouraged to implement healthy work practices (such as taking regular breaks from sitting in front of the computer) and posters demonstrating recommended stretching techniques have been placed around the Office.

Staff are also provided with individual assessments of their workstations on request and professional rehabilitation case management services are available if required.

For those staff with injuries or other medical conditions, individual workstations are professionally assessed to ensure the specific medical needs of the individual are effectively addressed.

Health and wellbeing initiatives

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

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

Legislative compliance

There were no accidents or dangerous occurrences during 2009-10 that required a notice under section 204 of the *Occupational Health and Safety Act 1989*.

No investigations were conducted during the year and there were no improvement notices, prohibition notices and notices of non-compliance given to the Audit Office under sections 146, 155 or 212 of the OH&S Act.

The Office's Social Club

The Office has an active Social Club, and all staff have enjoyed a number of social events during 2009-10, many of which have supported charitable causes. The Club is fully funded by staff and run by a small committee. During the year, the Club organised Multicultural lunches, Christmas party, Office breakfasts, and raised funds for the Australian Red Cross, the Smith family, Hartley Lifecare and Fred Hollows Foundation..

WORKPLACE RELATIONS

All staff of the Audit Office, other than the Auditor-General and Directors are employed under the Auditor-General's Office Union Collective Agreement (2007-10). This Agreement nominally expired on 31 March 2010.

During 2009-10, the Office participated in Enterprise Bargaining Agency Reference Group meetings organised by the Chief Minister's Department. As a result of the Government's decision to bargain for separate agency-level enterprise arrangements, staff of the Audit Office agreed to appoint a Negotiating Committee to represent staff in discussions with management.

The Negotiating Committee has facilitated liaison between staff and management, and ensured staff were informed and consulted on the terms of the agreement, particularly the terms in the agreement which are specific to Audit Office staff.

In addition to the Negotiating Committee, the Audit Office has an Office Consultative Committee, with members nominated by staff. This Committee was established to provide a formal forum for liaison between the Executive and staff in the development and review of organisational policies and work practices, and for providing staff input to such policies and practices.

The strong relationship between staff and management of the Office has reflected in many productive discussions during 2009-10 on working terms and conditions- the outcomes of these meetings were well received and supported by all staff.

SPECIAL EMPLOYMENT ARRANGEMENTS

At 30 June 2010, two staff members were on Special Employment Arrangements (SEAs) under the Audit Office Collective Agreement. The table below outlines these arrangements. There were no Australian Workplace Agreements (AWAs) at 30 June 2010.

Table 7.5: Special Employment Arrangements

| DESCRIPTION | No. of Individual SEAs |
|---|-------------------------------|
| Number of SEAs as at 30 June 2010 | 2 |
| Number of SEAs entered into during period | 0 |
| Number of SEAs terminated during period | 0 |
| The number of SEAs providing for privately plated vehicles as at 30 June 2010 | 0 |
| Number of SEAs for employees who have transferred from AWAs during period | 0 |

Source: Audit Office

Table 7.6: Classification and remuneration under Special Employment Arrangements

| | Classification Range | Remuneration as at 30 June 2010 |
|---------------------------|-----------------------------|--|
| Individual and group SEAs | Senior Manager | \$96 738 to \$116 986 |

STRATEGIC ASSET MANAGEMENT

Assets managed

The Audit Office's plant and equipment assets are comprised of the Office's fit-out, motor vehicles, and equipment and furniture normally associated with a small professional Office such as audio visual equipment, workstations and chairs etc. The book value of these assets at 30 June 2010 was \$417 712 (30 June 2009, \$512 267). The Office conducted stocktakes of its portable and attractive assets (mainly computer assets) to ensure these assets were properly accounted for.

As disclosed in the Office's financial statements, the Audit Office has included in the Office fit-out valuation, the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy.

During 2009-10, the Office disposed of a motor vehicle and did not replace it. The disposal and acquisition of motor vehicles reflects the accounting treatment for the finance leasing arrangements for Executive vehicles.

There were no major asset upgrades completed during 2009-10.

Office accommodation

There was no change in office accommodation during the year. At 30 June 2010, the Office occupied 500 square metres at 11 Moore St, Canberra City and employed 37 (35.74 full-time equivalent) staff. This equates to approximately 14 square metres per employee, which is within the ACT Government target of 15 square metres per employee.

USE OF CONTRACTORS

In 2009-10, the Audit Office continued to engage financial audit contractors to complement the in-house audit capacity. The Office also uses external firms to conduct internal audits of the Office and to provide other specialised services such as actuarial and tax advice. The selection and management of audit contractors complies with the *Government Procurement Act 2001* and subordinate guidelines and circulars.

Table 7.7: External sources of labour and services

| Firm | Date Contract Let | Financial Audits \$ Note 1 | Other Services \$ Note 2 | Total \$ |
|---------------------------|-------------------|----------------------------------|--------------------------------|----------------|
| Deloitte Touche Tohmatsu | 1 December 2005 | 52 381 | | 52 381 |
| KPMG | 1 December 2005 | 176 082 | | 176 082 |
| WalterTurnbull | 1 December 2007 | 36 052 | 6 600 | 42 652 |
| PricewaterhouseCoopers | 1 December 2005 | 505 605 | 3 300 | 508 905 |
| Ernst & Young | 1 December 2005 | 132 563 | | 132 563 |
| Cumpston Sarjeant Pty Ltd | 31 March 2005 | 45 993 | | 45 993 |
| RiskLogic Pty Ltd | | | 5 980 | 5 980 |
| Bellewarra Investments | 30 June 2006 | | 4 680 | 4 680 |
| Total | | 948 676 | 20 560 | 969 236 |

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

Note 2 RiskLogic Pty Ltd was contracted to undertake testing of the Office's Business Continuity Plan.

Walter and Turnbull Pty Ltd and Bellewarra Investments provided internal audit services to the Audit Office.

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

COMMUNITY GRANTS, ASSISTANCE AND SPONSORSHIP

In 2009-10, the Office donated two prizes of \$300 each to the University of Canberra. The prizes are awarded to the top graduating students in auditing to raise their awareness of the employment opportunities provided by the Audit Office.

The prizes were awarded as follows:

Table.7.8: Student Prizes

| Organisation | Award | Amount |
|------------------------|---------------------|--|
| University of Canberra | Undergraduate Prize | \$300 to the student who achieves the best academic result in the subject Auditing. |
| University of Canberra | Postgraduate Prize | \$300 to the student who achieves the best academic result in the subject Auditing PG. |

TERRITORY RECORDS

In accordance with the requirements of the *Territory Records Act 2002*, the Auditor-General has approved and implemented a Records Management Program for the Office. The Program consists of a Records Management Policy, Records Management Procedures and a Records Disposal Schedule. The Records Disposal Schedule for Audit Services was approved by the Director of Territory Records. This Notifiable Instrument (NI2006-26) can be viewed on the ACT Government's legislation website. (The website is <http://www.legislation.act.gov.au/>.)

Staff are regularly reminded at various office meetings and forums of the importance sound records management practices. All staff are informed that in addition to the Office's records management policy and Records Management Quickguide, there are also standards, guidelines and advice available from the Territory Records Office. New staff are introduced to record-keeping essentials as part of the Office's induction program.

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

Table 7.9: Records Disposal

| Records Disposal Schedule Name | Effective | Year and No. |
|--|-----------------|--------------|
| Territory Records (Records Disposal Schedule-Audit Services Records) Approval 2006 No. 1 | 3 February 2006 | NI2006-26 |

8. CONSULTATION AND SCRUTINY REPORTING

COMMUNITY ENGAGEMENT

The Audit Office regularly seeks the views of members of the ACT Legislative Assembly, the Public Accounts Committee and public sector agencies, when developing the Office's work program and reviewing the Office's performance. The Office's proposed performance audit program is made available for the information of the community from the Office's website.

The Audit Office also considers the views of individuals or relevant interest and community groups where appropriate when planning and performing performance audits.

Members of the Legislative Assembly, community groups or individuals may also make submissions or other representations to the Audit Office to raise issues of particular concern to them. The Office considers the information provided from these sources to determine whether further investigation is warranted, taking into account the significance of the issues raised, the Office's available resources and other priorities.

EXTERNAL AND INTERNAL SCRUTINY

The Audit Office is subject to significant external scrutiny. Mechanisms for the effective scrutiny of the Office's performance is provided by the *Annual Reports (Government Agencies) Act 2004*, the *Auditor-General Act 1996* and various public inquiries into performance audit reports.

The Audit Office's annual report, which includes the Office's audited financial statements and statement of performance, is examined by members of the Estimates and Public Accounts Committees.

The Audit Office's annual financial statements and statement of performance were audited by an external auditor under the *Auditor-General Act 1996*. The auditor, PKF Chartered Accountants and Business Advisers, issued unqualified opinions on the Office's 2009-10 financial statements and statement of performance.

The Audit Office's work is subjected to significant scrutiny and commentary by the media, government agencies and general community. Performance audit reports are tabled in the ACT Legislative Assembly and are publicly available.

Independent performance audit of the Audit Office

During 2009-10, the Public Accounts Committee requested an independent performance audit of the Auditor-General and the Audit Office. The audit was strongly supported by the Office. A well-performed independent review of the Office can inform the Legislative Assembly and through it, the ACT community, on whether the Office has operated

efficiently and effectively and in compliance with relevant legislation. Further, recommendations from such a review can contribute to the continuous improvement of the Office's operations.

In other jurisdictions, the relevant legislation often provides for periodic reviews of the Auditor-General's Office every three years to five years. No such provision is included in the *Auditor-General Act 1996*. However, the Act does provide for the presiding member of the Public Accounts Committee to request a performance audit by an independent auditor of the operations of the Office. The last review of the Office occurred in 1998, and was reported in 1999. This was during the term of appointment of the former Auditor-General, Mr John Parkinson.

The independent audit was conducted by Mr Bob Sendt, a former Auditor-General for NSW. Mr Sendt's report was tabled in the Legislative Assembly on 5 May 2010. The report concluded that:

*The ACT Audit Office is providing an important service in an efficient and effective manner, and the Legislative Assembly and people of the Australian Capital Territory are achieving good value from the Office's use of the taxpayer's dollar. It achieves this notwithstanding the relatively small size of the Office, the complexity of its role and the demands upon it. (page 1)*¹³

Other significant findings in the report include:

*The Office has enthusiastically embraced the challenge of the tougher new auditing and quality control standards of recent years. It has invested considerable resources in ensuring it has the quality processes in place to guide its future operations. (page 1)*¹³

*In implementing a new system of quality control to meet new standards, the Office has adopted a professional and thorough approach. (page 8)*¹³

*Staff appear to be very highly engaged with the Office, and feel that their work is satisfying and worthwhile. The Office has set out a vision for the future and a set of values that are both appropriate and relevant to staff. (page 1)*¹³

*The Office is open and accountable about its performance. It has a sound approach to determining its strategic objectives, in ensuring that its activities are consistent with those objectives and in managing its performance. However it could benefit by more extensively benchmarking its performance against other audit offices. (page 1)*¹³

*The Auditor-General's various reports are well-written and effective in informing Members of the Legislative Assembly and other readers of matters that are relevant to them in meeting their roles and responsibilities. In all types of reports, the language used was simple and technical jargon was generally avoided where possible. The use of graphs, case studies, diagrams and highlighting was appropriate in helping to convey information to the reader. (page 39, 40)*¹³

¹³ Bob Sendt & Associates, 'Report of the Independent Performance Audit of the Operations of the ACT Auditor-General and the ACT Audit Office', 3 May 2010

*The ACT Audit Office has placed great importance on achieving and maintaining APES 320 compliance and has used the ACAG tool to assist it to do this. (page 8)*¹³

Earlier sections of this Annual Report have highlighted matters relevant specifically to performance and financial auditing, including actions to implement the agreed recommendations from the independent auditor.

Audit and Review Committee

The Audit Office has an Audit and Review Committee, chaired by an experienced external party, which met five times during 2009-10. The Committee provides independent assurance and assistance to the Auditor-General on the Office's risk management, control, and compliance framework, and its external accountability responsibilities. WalterTurnbull was engaged during 2009-10 to undertake an internal audit of leave management and time recording. Overall, the audit found that leave management and time recording processes and procedures reviewed were functioning effectively. The issues identified through testing and conducting a gap analysis against better practice presented a minimal risk to the Office and are largely a result of labour intensive and highly manual processes to administer attendance records and manage staff leave. The Office has addressed all recommendations in the internal auditor's report.

Peer reviews

In 2009-10, under a reciprocal peer review process, the Tasmanian Audit Office reviewed a sample of performance audits completed by the Office to provide an independent appraisal of the quality of the Office's audit work. Likewise, the Office conducted a review of selected performance audit work done by the Tasmanian Audit Office.

LEGISLATIVE ASSEMBLY COMMITTEE INQUIRIES AND REPORTS

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

During 2009-10, the PAC completed the following inquiries:

- Review of Auditor-General's Report No. 8 of 2008: 2007-08 Financial Audits;
- Review of Auditor-General's Report No. 4 of 2008: *Maintenance of Public Housing*;
- Review of Auditor-General's Report No. 7 of 2008: *Proposal for a gas-fired power station and data centre: site selection*; and
- Review of Auditor-General's Report No. 7 of 2009: *Annual Report 2008-09*.

The PAC also commenced the following inquiries regarding Auditor-General’s reports during 2009-10, and the inquiries were still in progress as at 30 June 2010:

- Review of Auditor-General’s Report No. 3 of 2008: *Records Management in ACT Government Agencies*;
- Review of Auditor-General’s Report No. 4 of 2009: *Delivery of Ambulance Services to the ACT Community*; and
- Review of Auditor-General’s Report No. 5 of 2009: *Administration of Employment Issues for Staff of Members of the Legislative Assembly*.

The PAC also commenced in 2009-10 an inquiry into the *ACT Auditor-General Act 1996*. This is the key legislation governing many aspects of the operations of the Audit Office.

In addition, the Audit Office made submissions to other inquiries by Legislative Assembly Committees. These include:

- The Standing Committee on Public Accounts: Inquiry into ACT Government Procurement; and
- The Standing Committee on Justice and Community Safety: Inquiry into the *Freedom of Information Act 1989*.

Some Committees made recommendations that referred to the Office. These are listed below.

Table 8.1: Recommendations from the ACT Legislative Assembly

| Committee | Recommendations | Action |
|--|--|--|
| Standing Committee on Public Accounts Report on Annual and Financial Reports 2007-08 | Recommendation 12: The Committee recommends that the ACT Auditor-General receive additional funding in the 2009-10 ACT Budget to ensure that its performance audit program outputs are enhanced. | No action is required by the Audit Office. |
| Select Committee on Estimates 2009-2010 Appropriation Bill 2009-2010 June 2009 | Recommendation 14: The committee recommends that the Auditor-General’s funding allocation be increased to allow for the target number of performance audits to be reached without running a deficit. | No action is required by the Audit Office. |
| Select Committee on Campaign Advertising Inquiry into Government Agencies (Campaign Advertising) Bill 2008 August 2009 | Recommendation 3: The Committee recommends that the review role proposed for the Auditor-General under the current Bill instead be undertaken by an internal expert panel. | No action is required by the Audit Office. |
| Standing Committee on Public Accounts Report on Annual and Financial Reports 2008- 09 March 2010 Report 7 | Recommendation 12: The Committee recommends that the ACT- Auditor-General be funded to audit agency compliance with the ecologically sustainable development indicators as specified in the Chief Minister’s Annual Report Directions. | No action is required by the Audit Office. |

9. LEGISLATIVE AND POLICY-BASED REPORTING

PUBLIC INTEREST DISCLOSURES

Proper authority

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

Procedures

The Audit Office has procedures for receiving and handling public interest disclosures, which:

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

Table 9.1: Public Interest Disclosures

| Disclosure Requirement | Details |
|--|--|
| The number of disclosures received. | One |
| Type of disclosures under Section 4(2) of the PID Act. | The disclosure alleged conduct that could, if substantiated, amount to 'disclosable conduct' under Section 4(2)(a) of the PID Act. |
| The number of disclosures referred by other agencies. | Nil |
| The number of public interest disclosures investigated. | Nil |
| The number of disclosures referred to other government agencies for investigation. | One The Auditor-General referred the disclosure to an ACT Government agency under Section 18 of the PID Act. |

| Disclosure Requirement | Details |
|--|---------|
| The number of disclosures on which the Office has declined to act under Section 17 of the PID Act. | Nil |
| The number of disclosures substantiated by investigation. | Nil |

Other representations

The Auditor-General receives, from time-to time, representations from various persons (such as Members of the Legislative Assembly, or members of the public) requesting the Auditor-General to intervene in some matter or to undertake some audit activity or investigation. These representations do not meet the definition of public interest disclosure within Section 3 of the *Public Interest Disclosure Act 1994*, but rather tend to reflect areas of interest or concern to the individual. Representations are considered under the provisions of the *Auditor-General Act 1996*.

In 2009-10, seventeen representations were received from members of the public, covering a range of matters.

In each case, the Audit Office reviewed information provided by the correspondent to determine whether further investigation was warranted, and if so, how the investigation was to be conducted. Where necessary, the Office obtained additional information from the relevant government agency.

The Auditor-General cannot investigate in detail many of the matters referred, given the limited resources of the Office. In deciding whether a representation requires further investigation, through (for example) a performance audit or a special investigation, the Office considers several factors, including the identified financial risks and impacts, and potential implications for public administration and delivery of government services. Inclusion of any new potential audit topic is viewed in terms of its relative priority with respect to other audit activities of the Office. Information provided through representations is also taken to account in the context of planning future audits. Several of the representations received in 2009-10 have identified potential topics for future performance audits.

Details of remedial action taken on Ombudsman recommendations

The ACT Ombudsman made no recommendations regarding the Audit Office.

FREEDOM OF INFORMATION

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

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

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

The Office's FoI policy was last reviewed late in 2008-09. It will be reviewed again and updated as necessary when the current inquiry into the FoI Act by the Standing Committee on Justice and Community Safety is completed.

Publication of documents and information (Section 7 Statement)

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

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

Categories of documents in the possession of the Audit Office

The Audit Office holds the following categories of documents:

- *Documents freely available on request and without charge.* Documents in this category include audit reports produced by the Office. These documents are available from the Office's website (<http://www.audit.act.gov.au>) or on request from the Office, and are available from libraries throughout the Territory.
- *Other kinds of documents that may be available under the FoI Act.* A wide range of documents, held in the Office, may be available under the Act. These documents may include general administrative files including internal, interagency and public documents, minutes of meetings of management and other committees, agendas and background papers, policies in connection with Office administrative functions, photographs, financial and accounting records, leases and deeds of agreement.

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

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

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

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

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

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

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

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

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

The Office received one FoI request to access documents during 2009-10. A number of documents were released to the applicant, but other documents were determined to be exempt from disclosure under sections 36 and 38 of the FoI Act, and within the context of sections 34 of the Auditor-General Act. The applicant did not ask for an internal review of decision under section 59 of the FoI Act.

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

No applications were received for amendment of records under section 48 of the FoI Act.

HUMAN RIGHTS ACT

The operating practices and policies of the Audit Office are consistent with the aims of the *Human Rights Act 2004* and human rights principles are integrated into Office's operations.

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

- The *Auditor-General Act 1996* includes specific provisions that ensure procedural fairness is maintained and natural justice is afforded to those affected by the reporting of audit findings and recommendations.
- The Audit Office provides a valuable means for members of the community to raise concerns about the accountability and administration of the ACT Public Sector, including human rights concerns. For example, the Office is a proper authority for the receipt of disclosures under the *Public Interest Disclosure Act 1994*. The Office has sound procedures in place for handling these disclosures appropriately and fairly. Other representations to the Auditor-General are similarly reviewed to determine whether further investigation was warranted, and if so, how the investigation was to be conducted.
- Performance audits consider human rights issues where relevant. During 2009-10, the Office conducted an audit of the delivery of bus services by ACTION that included specific consideration of human rights. Staff engaged on the audit undertook specific training on the *Human Rights Act 2004* and disability discrimination matters. As well, the ACT Human Rights Commission was consulted extensively during the audit.
- Management has promoted an organisational culture that is inclusive, respectful and responsive to staff and audited agencies. Various means are available to staff to raise issues or concerns regarding the operations of the Office including human rights matters. For example, matters may be raised at meetings, directly with the Auditor-General or other senior executives, or with a staff representative. The Office's annual staff survey also seeks views on equity, diversity, discrimination and work / life balance. Management responds openly to all staff suggestions and concerns.
- The Office has been renegotiating its 'Auditor-General's Office Union Collective Agreement 2007-10', which nominally expired on 31 March 2010. In common with all ACT Government agencies, proposed new Agreement incorporates ACT public sector wide conditions of employment and recognises the importance of sustaining a balance of work and life responsibilities.
- The Office's 'Equity and Diversity Guidelines' and 'Workplace Discrimination, Harassment and Bullying' policy were reviewed and updated in early 2009. These documents support and promote a diverse and non discriminatory workplace where different cultures and talents of staff are recognised and valued.
- The Office developed a 'Complaint Handling Policy and Procedures' that recognises that complaints are an important part of the process of continuous improvement of services. Staff are aware of their responsibilities under this policy, which is available to the community through the Office's website.

COMMISSIONER FOR SUSTAINABILITY AND THE ENVIRONMENT

The Commissioner for the Environment Office did not request information from the Office in the preparation of the 'State of the Environment Report', nor carry out any investigation of the Office's operations during 2009-10.

MULTICULTURAL STRATEGY

As the Audit Office does not deliver services directly to the community, the implementation of the government multi-cultural strategy on its operations is limited. Audit work that reviews delivery of services considers, where appropriate, equity issues in providing that service to various groups.

The Office has a non-discriminatory recruitment policy that has resulted in a wide range of cultures and languages being represented by staff in the Office. The Office has been able to use these cultural and language skills from time to time to better respond to people communicating with the Office.

ABORIGINAL AND TORRES STRAIT ISLANDER REPORTING

This element is not applicable, as the Office does not have any responsibility for indigenous outcomes or for indigenous policy.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT

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

Audit Office staff are regularly encouraged to implement practices that will reduce greenhouse gas emissions. In June 2010, the Office undertook an 'energy efficiency drive' and staff were provided with an information session focusing on practical energy efficiency tips specifically applicable to the Office environment.

Some of the practices staff are requested to follow include the use of electronic audit work papers, messaging and on-line technical and information services; purchase of recycled printing paper; turning off computer equipment and monitors when they are not in use; recycling toner in bins provided for this purpose; using public transport; and minimising the number of printed hard copy documents.

Transport

During 2009-10, the number of vehicles leased by the Audit Office decreased from two to one, a further reduction from the three vehicles leased in 2007-08. All vehicles leased were executive vehicles, and since 2007-08 two executives have chosen not to take a government-provided vehicle as part of their remuneration package. The Office's executive vehicles have been used by staff to travel to audited agencies, and the reduction in vehicles has seen a shift to the use of public transport for this purpose. The reduction in vehicles significantly reduced the CO2 emissions from 10.5 tonnes in 2008-09 to 8.5 tonnes in 2009-10.

Table 9.2: Vehicle use – 2008-09 and 2009-10

| | 2008-09 ⁽¹⁾ | 2009-10 ⁽¹⁾ |
|--|------------------------|------------------------|
| Kilometres driven | 48 542 | 36 266 |
| Fuel used (litres) | 4 373 | 3 542 |
| Average fuel consumption (l/100 km) | 8.9 | 9.8 |
| CO2e (Tonnes) ⁽²⁾ | 10.5 | 8.5 |
| Note 1: In December 2009, the Office decreased the number of leased motor vehicles from 2 to 1. | | |
| Note 2: CO2e is calculated based on 2.4kg of emissions per litre of petrol consumed. Actual emissions will vary according to driving conditions. | | |

Source: SG Fleet.

Consumption of other resources

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

Table 9.3: Consumption of resources 2008-09 and 2009-10

| Resources ⁽¹⁾ | 2008-09 | 2009-10 |
|--|-----------------------|-----------------------|
| Total electricity use (KW hours) | 65 162 ⁽²⁾ | 69 435 ⁽²⁾ |
| Electricity use per employee (KW hours) | 1 975 | 1 877 |
| Renewable electricity purchased | 6 516 | 14 793 |
| Total gas use (MJ) | Not available | Not available |
| Total water consumed | Not available | Not available |
| Waste paper recycled (240L containers) | 61 | 64 |
| Paper usage (reams) | 395 | 400 |
| Reams per FTE | 12.58 | 12.46 |
| Notes: (1) Reliable data on gas, water and waste are not available as these are landlord costs, and are not separately billed to the Audit Office. | | |
| (2) Of the 69 435kwh consumed during the 2009-10 year, 14 793kwh was green (renewable) energy. i.e. 21.30% | | |

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

The consumption of paper within the Audit Office has decreased slightly from 12.58 reams of paper per full-time equivalent staff (FTE) in 2008-09 to 12.46 reams per FTE in 2009-10. The Office implemented its preferred practice of scanning and emailing documents, where possible, rather than photocopy and fax documents. This is reinforced throughout the Office by encouraging staff to change work practices by minimising printing of drafts of documents.

ACT WOMEN'S PLAN 2010-2015

The ACT Women's Plan sets out three key areas: Economic, Social and Environmental, which have been identified as contributing to the improvement of the status of all women and girls in the ACT community.

The work of the Audit Office is not directly associated with implementing policies and strategies which directly affect women in the ACT community. However, within the workplace, the Office has established an environment where women are supported to achieve their full potential. Female staff in the Office are encouraged to attend mentoring and career development workshops so as to increase their awareness of the opportunities available to women. They also have access to flexible working arrangements.

MODEL LITIGANT GUIDELINES

In accordance with section 5AC of the *Law Officer Act 1992*, the Auditor-General has the following procedures in place to ensure that the Office is aware of and complying with the Guidelines.

- all instructions in relation to disputes are passed through a central point within the Executive of the Office and a report is available to the Auditor-General in relation to the progress of matters;
- the Office's legal services are provided by the ACT Government Solicitor's office (ACTGS), and on occasions by the Australian Government Solicitor's Office (AGS). These Offices review the Office's instructions to ensure compliance with the guidelines. The Office is able to rely upon the ACTGS and the AGS to identify those matters where a question arises as to compliance with the Model Litigant Guidelines and to address it or elevate it within the Office as appropriate; and
- all staff involved in claims procedures or other decisions which may at some point become the subject of litigation are informed of the guidelines and instructed to comply with them, referring any queries to the ACTGS.

No breaches of the model litigant guidelines by the Audit Office were occurred for the financial year.

APPENDIX A FINANCIAL AUDIT FEES

FINANCIAL AUDIT FEES

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

The Audit Office charges fees to agencies for financial audits based on the estimated time needed to complete the audit. The Office prepares these estimates using information on the actual time taken in previous years to complete these audits. These estimates also take into account any major factors that would cause significant changes to time needed to complete each audit. Major factors that affect the estimated time to complete an audit typically include changes to information systems used by the agency to prepare its financial statements, variations to the number and type of performance measures, new audit or accounting issues and the effects of any administrative restructures. Changes to the requirements of accounting and auditing standards also have a significant impact on the time and associated costs of completing financial audits.

Fees for audits undertaken principally by contractors are set on the basis of the audit fee payable to the contractors plus the time and associated cost of work undertaken by Audit Office staff in managing these audits.

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

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

The 2009-10 audit fees (\$3 177 102) are expected to fall by \$130 855 (4.0 percent) from 2008-09 fees (\$3 307 957), following the sale of ECOWISE and anticipated lower costs of completing the audits of ACTEW Corporation and the ActewAGL Joint Venture. These lower fees are expected to be largely offset by additional fees from:

- completing new audits such as the Department of Land and Property Services, ACT Long Service Leave Authority, Lyons Estate Redevelopment Joint Venture and several Commonwealth acquittal audits;
- indexing audit fees by 3.5 percent (based on the wage price index) to recover higher employee and other costs;
- increasing fees by 4 percent consistent with a recommendation by the independent performance auditor that audit fees should recover an appropriate share of the costs of office-wide projects and systems such as quality control; and

Financial audit fees

- increasing fees to reduce significant deficits being incurred on some individual audits.

Agencies, on average, paid \$98.91 per hour for the completion of their financial audits in 2008-09. This compares favourably to the most recent rates typically quoted by private audit firms for financial audit work outsourced by the Office of around \$170 per hour.

The financial audit fees charged to agencies are presented in the following tables. These audit fees vary from that reported in the Audit Office's financial statements because accrual information is included in the financial statements.

The audit fees shown for 2009-10 represent all audits including those ending 31 December 2009 and 30 June 2010.

Table 1: Summary of financial audit fees

| | 2009-10 Estimated Audit Fees \$ | 2008-09 Actual Audit Fees \$ |
|--|--|---|
| Territory (see Table 2) | 118 250 | 110 000 |
| Departments (see Table 2) | 1 468 206 | 1 303 470 |
| Statutory authorities (see Table 3) | 801 622 | 699 640 |
| Territory-owned corporations and other companies (see Table 4) | 446 357 | 817 612 |
| Joint ventures and partnerships (see Table 5) | 287 370 | 338 154 |
| Other audits (see Table 6) | 55 297 | 39 081 |
| | | |
| Total financial audit fees | 3 177 102 | 3 307 957 |
| | | |
| Average cost per audit | 48 142 | 55 133 |
| | | |

Table 2: Financial audit fees – Territory and departments

| | Note | 2009-10 Estimated Audit Fees \$ | 2008-09 Actual Audit Fees \$ |
|--|------|--|---------------------------------------|
| Territory financial statements | | | |
| Territory's consolidated annual financial statements | 1 | 118 250 | 110 000 |
| Total financial audit fees - Territory | | 118 250 | 110 000 |
| Department financial audits | | | |
| Territory Banking Account | | 37 625 | 35 000 |
| Chief Minister's Department | | 94 600 | 88 000 |
| Disability, Housing and Community Services | | 90 300 | 84 000 |
| Education and Training | | 105 135 | 97 800 |
| Environment, Climate Change, Energy and Water | | 52 138 | 48 500 |
| Executive | | 11 470 | 10 670 |
| Health | 2 | 168 197 | 147 300 |
| Home Loan Portfolio | | 13 760 | 12 800 |
| Housing ACT | | 107 500 | 100 000 |
| Shared Services Centre | | 69 875 | 65 000 |
| Justice and Community Safety | 3 | 140 000 | 125 000 |
| Land and Property Services | 4 | 51 500 | Nil |
| Legislative Assembly Secretariat | | 26 875 | 25 000 |
| Planning and Land Authority | | 73 853 | 68 700 |
| Superannuation Unit | | 43 753 | 40 700 |
| Treasury | | 145 125 | 135 000 |
| Territory and Municipal Services | | 236 500 | 220 000 |
| Total financial audit fees - departments | | 1 468 206 | 1 303 470 |

Table 3: Financial audit fees – statutory authorities

| | Note | 2009-10 Estimated Audit Fees \$ | 2008-09 Actual Audit Fees \$ |
|---|------|--|---------------------------------------|
| Statutory authorities | | | |
| ACTION Authority | | 81 700 | 76 000 |
| Building Industry Training Fund Authority | 3 | 11 950 | 10 670 |
| Canberra Institute of Technology | | 92 273 | 89 200 |
| Canberra Public Cemeteries Authority | 3 | 33 040 | 29 500 |
| Cleaning Industry Long Service Leave Authority | | 22 000 | 21 000 |
| Construction Industry Long Service Leave Authority | | 26 000 | 25 000 |
| ACT Long Service Leave Authority | 5 | 51 545 | Nil |
| Cultural Facilities Corporation | 3 | 27 440 | 24 500 |
| Exhibition Park Corporation | 3 | 22 400 | 20 000 |
| Gambling and Racing Commission | 3 | 25 088 | 22 400 |
| Independent Competition and Regulatory Commission | 3 | 11 950 | 10 670 |
| Insurance Authority | | 47 945 | 44 600 |
| Land Development Agency | | 103 415 | 96 200 |
| Legal Aid Commission | 3 | 28 112 | 25 100 |
| Nominal Defendant | 3 | 23 520 | 21 000 |
| Public Trustee Office Account | | 17 200 | 16 000 |
| Public Trustee Trust Account | | 18 920 | 17 600 |
| University of Canberra | | 134 500 | 130 000 |
| Default Insurance Fund | 3 | 22 624 | 20 200 |
| | | | |
| Total financial audit fees statutory authorities | | 801 622 | 699 640 |
| | | | |

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

| | Note | 2009-10 Estimated Audit Fees \$ | 2008-09 Actual Audit Fees \$ |
|---|------|--|---------------------------------------|
| | | | |
| Territory-owned corporations and other companies | | | |
| ACTEW Corporation Limited | 6 | 150 000 | 221 430 |
| ACTEW Distribution Limited | | 13 000 | 12 500 |
| ACTEW Retail Limited | | 13 000 | 12 500 |
| ACTTAB Limited | | 47 838 | 44 500 |
| CIT Solutions Pty Limited | | 25 455 | 24 600 |
| Community Housing Canberra Limited | 3 | 29 428 | 22 000 |
| ECOWISE Environmental Pty Limited | 7 | Nil | 279 000 |
| Rhodium Asset Solutions Limited | 8 | 95 000 | 130 000 |
| Totalcare Industries Limited | | 26 000 | 26 000 |
| University of Canberra College Pty Limited | | 18 818 | 18 182 |
| UCU Ltd | | 27 818 | 26 900 |
| Total | | 446 357 | 817 612 |
| | | | |

Table 5: Financial audit fees – joint ventures, partnerships and others

| | Note | 2009-10 Estimated Audit Fees | 2008-09 Actual Audit Fees \$ |
|---|------|------------------------------------|---------------------------------------|
| Joint ventures and partnerships | | | |
| ActewAGL Joint Venture | 9 | 200 000 | 299 154 |
| Crace Joint Venture | | 14 525 | 13 000 |
| Forde Joint Venture | | 16 600 | 15 500 |
| Kingston Stage 1A Joint Venture | 10 | Nil | 3 500 |
| Woden East Joint Venture | | 7 245 | 7 000 |
| Lyons Estate Redevelopment Joint Venture 2007 | 11 | 6 600 | Nil |
| Lyons Estate Redevelopment Joint Venture 2008 | 11 | 13 200 | Nil |
| Lyons Estate Redevelopment Joint Venture 2009 | 11 | 13 200 | Nil |
| Lyons Estate Redevelopment Joint Venture 2010 | 11 | 16 000 | Nil |
| Total | | 287 370 | 338 154 |

Table 6: Financial audit fees –Other Audits

| | Note | 2009-10 Estimated Audit Fees | 2008-09 Actual Audit Fees \$ |
|--|------|------------------------------------|---------------------------------------|
| Other audits | | | |
| Canberra Business Development Fund | | 10 428 | 9 700 |
| Commonwealth Funding Roads Acquittal | | 9 773 | 9 091 |
| University of Canberra Grant Acquittal | | 3 767 | 3 640 |
| Legal Aid Commission Commonwealth Acquittal | | 4 838 | 4 500 |
| Nicholls Primary School Joint Facilities | | 968 | 900 |
| Capital Region Foundation Gift Fund | | 2 365 | 2 200 |
| Capital Region Foundation Open Fund | | 2 365 | 2 200 |
| ACTTAB NSW Racing Acquittal | 12 | Nil | 4 000 |
| Building Education Revolution Acquittal | 13 | 7 000 | 2 850 |
| Restoration Works at the Tuggeranong Schoolhouse Acquittal | 14 | 6 000 | Nil |
| Heavy Vehicle Safety and Productivity Program Acquittal | 14 | 3 793 | Nil |
| Albert Hall Refurbishment Acquittal | 14 | 4 000 | Nil |
| Total | | 55 297 | 39 081 |

Note 1: The 2009-10 estimated fee for the audit of the Territory's consolidated annual financial statements was increased to recover the estimated costs of the audit. Costs have exceeded audit fees in recent years and there have been significant changes to whole-of-government reporting requirements.

Note 2: The increase in the 2009-10 estimated fee for the audit of ACT Health's financial statements is due to the Audit Office obtaining external specialist accounting advice on complex accounting issues relating to assets.

Note 3: An increase in the audit fees for was needed to recover the costs of the audit. Actual costs significantly exceeded the audit fee in 2008-09.

Note 4: The Department of Land and Property Services was created in 2009-10.

Note 5: The ACT Long Service Leave Authority was created in 2009-10. This Authority replaces the ACT Cleaning Industry Long Service Leave Authority and Construction Industry Long Service Leave Authority.

Note 6: The audit fee for ACTEW Corporation Limited was reduced as ACTEW had addressed the impact of accounting for new water security projects in 2008-09. The reduction in audit fees reflects lower contractor fees.

Note 7: An audit of the ECOWISE Group was no longer required as ECOWISE was sold.

Note 8: The reduction in the audit fee for Rhodium Asset Solutions Limited reflects lower fees being charged by the audit contractor. The company is in the process of being wound up.

Note 9: The reduction in the fee for the audit of the ActewAGL Joint Venture reflects lower fees paid to the audit contractor. The lower fee is due mainly to the improved control environment implemented by the ActewAGL Joint Venture.

Note 10: The Kingston Stage 1A Joint Venture was wound up in 2008-09.

Note 11: The Lyons Estate Redevelopment Joint Venture submitted its financial statements for audit in 2009-10.

Note 12: This acquittal audit was not requested by ACTTAB Limited in 2009-10.

Note 13: The 2009-10 estimated audit fee Building Education Revolution acquittal was increased to recover the increased costs of the audit as there were significantly more transactions than in 2008-09.

Note 14: These new acquittal audits resulted from the Commonwealth stimulus funding received by the ACT Government.

APPENDIX B STAFF PROFILE

STAFF PROFILE

There were 37 staff employed in the Audit Office (including the Auditor-General) as at the last pay period for the financial year ended 30 June 2010 (35.74 full-time equivalent staff).

The following tables provide details on the staffing profile. This information has been provided by the Shared Services Centre and represents the *paid headcount* as at 23 June 2010. The data has been adjusted to include an employee whose pay was not processed in the pay period ending 23 June.

Table 1: FTE and headcount

| Classification | Female | Male | Total |
|-------------------------|--------|-------|--------|
| FTE by gender | 13 | 22.74 | 35.74 |
| Headcount by gender | 14 | 23 | 37.0 |
| Percentage of workforce | 37.8% | 62.2% | 100.0% |

Table 2: Employment type

| Permanent | Temporary | Casual | Total |
|-----------|-----------|--------|-------|
| 30 | 7 | - | 37 |

Table 3: Employment classification

| Classification | Female | Male | Total |
|-------------------------|-----------|-----------|-----------|
| Statutory Office Holder | 1 | - | 1 |
| Executive Officers | - | 2 | 2 |
| Professional Officers | 13 | 21 | 34 |
| Total | 14 | 23 | 37 |

Source: Data from pay report for Pay 26 fortnight ending 23 June 2010.

Table 4: Employment category

| Employment Status | Female | Male | Total |
|---------------------|-----------|-----------|-----------|
| Permanent Part-Time | 3 | 1 | 4 |
| Permanent Full-Time | 9 | 17 | 26 |
| Temporary Full-Time | 2 | 5 | 7 |
| Temporary Part-Time | - | - | - |
| Casual | - | - | - |
| Total | 14 | 23 | 37 |

Staff profile

Source: Data from Shared Services Centre and pay report for Pay 26 fortnight ending 23 June 2010.

Table 5: Staff by age and gender

| Gender | <20 | 20-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65-69 | 70+ |
|--------------|-----|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-----|
| Female | - | - | 3 | 4 | 1 | 1 | 3 | - | 2 | - | - | - |
| Male | - | 3 | 4 | 4 | 2 | 1 | 2 | 2 | 2 | 2 | 1 | - |
| Total | - | 3 | 7 | 8 | 3 | 2 | 5 | 2 | 4 | 2 | 1 | - |

Source: Data from Shared Services Centre and pay report for Pay 26 fortnight ending 23 June 2010.

Table 6: Length of service by gender

| Gender | < 2 years | 2-4 years | 4-6 years | 6-8 years | 8-10 years | 10-12 years | 12-14 years | 14+ years |
|-------------------|------------|------------|------------|-----------|------------|-------------|-------------|------------|
| Female | 6 | 3 | 2 | - | 1 | - | - | 2 |
| Male | 4 | 9 | 2 | 3 | - | 1 | - | 4 |
| Total | 10 | 12 | 4 | 3 | 1 | 1 | - | 6 |
| Percentage | 27% | 32% | 11% | 8% | 3% | 3% | - | 16% |

Source: Data from the Shared Services Centre.

Table 7: Average length of service by gender

| Gender | Average length of service |
|--------------|---------------------------|
| Female | 4.9 |
| Male | 6.7 |
| Total | 6.1 |

Source: Data from the Shared Services Centre.

Table 8: Staff numbers by Branch

| Branch/Division | FTE | Headcount |
|---|--------------|-----------|
| Executive | 3.0 | 3 |
| Financial Audits | 20.34 | 21 |
| Performance Audits and Corporate Services | 12.4 | 13 |
| Total | 35.74 | 37 |

Source: Data from the Shared Services Centre.

Table 9: Staff numbers (headcount) by employment type

| Branch/Division | Permanent | Temporary Note 1 | Casual | Total |
|---|-----------|---------------------|----------|-----------|
| Executive | 0 | 3 | - | 3 |
| Financial Audits | 17 | 4 | - | 21 |
| Performance Audits and Corporate Services | 13 | - | - | 13 |
| Total | 30 | 7 | - | 37 |

Source: Data from the Shared Services Centre.

Note 1: Temporary employment refers to staff engaged on fixed term contracts.

Table 10: Equity and workplace diversity

| Category | Number | Percentage |
|--|--------|------------|
| Indigenous Status | - | 0% |
| Culturally and Linguistically Diverse (CALD) | 9 | 24% |
| Staff with a Disability | 1 | 3.0% |
| Women | 13 | 35% |

Source: Data from the Shared Services Centre.

APPENDIX C FINANCIAL STATEMENTS

ACT AUDITOR-GENERAL'S OFFICE

FINANCIAL REPORT YEAR ENDED 30 JUNE 2010

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2010, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Cash Flow Statement; and

Statement of Appropriation

fairly reflects the financial operations of the Office for the year ended 30 June 2010 and the financial position of the Office on that date.

Tu Pham
Auditor-General

20 August 2010

ACT AUDITOR-GENERAL'S OFFICE

**FINANCIAL REPORT
YEAR ENDED 30 JUNE 2010**

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the accompanying financial report for the ACT Auditor-General's Office for the year ended 30 June 2010, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Cash Flow Statement; and

Statement of Appropriation

has been prepared in accordance with generally accepted accounting principles, is in agreement with the Office's accounts and records, and fairly reflects the financial operations of the Office for the year ended 30 June 2010 and the financial position of the Office on that date.



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

19 August 2010

INDEPENDENT AUDIT REPORT

Di Bartolo Diamond & Mihailaros

An Australian Capital Territory Partnership



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT ACT AUDITOR GENERAL'S OFFICE

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

Report on the Financial Report

We have audited the accompanying financial report of the ACT Auditor General's Office for the year ended 30 June 2010 comprises the Statement of Responsibility by the ACT Auditor General, Operating Statement, Balance Sheet, Cash Flow Statement, Statement of Appropriations and the accompanying notes.

ACT Auditor General's Responsibilities for the Annual Financial Report

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

Audit Approach

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

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

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

Independence

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

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PARTNERS:
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Audit Opinion

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

- Gives a true and fair view of the financial position of the ACT Auditor General's Office as at 30 June 2010 and of its performance for the financial year ended on that date; and
- Is presented in accordance with the Financial Management Act 1996, Accounting Standards and other mandatory professional reporting requirements.

PKF Di Bartolo Diamond & Mihailaros



Ross Di Bartolo
Partner

Canberra

Dated: 20 August 2010

ACT AUDITOR-GENERAL'S OFFICE

OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Actual 2009-10 \$ | Budget 2009-10 \$ | Actual 2008-09 \$ |
|---|------|-------------------------|-------------------------|-------------------------|
| INCOME | | | | |
| <i>Revenue</i> | | | | |
| Appropriation | (a) | 2 112 000 | 2 112 000 | 2 072 000 |
| Financial audit fees | 5 | 3 274 026 | 3 200 000 | 3 230 337 |
| Other | 6 | 153 780 | 60 000 | 76 286 |
| Total revenue | | 5 539 806 | 5 372 000 | 5 378 623 |
| <i>Gains</i> | | | | |
| Gain on the sale of plant and equipment | 7 | 4 647 | - | 3 547 |
| Total gains | | 4 647 | - | 3 547 |
| Total income | | 5 544 453 | 5 372 000 | 5 382 170 |
| EXPENSES | | | | |
| Employees | 8 | 3 655 250 | 3 528 000 | 3 553 866 |
| Supplies and services | 9 | 1 627 180 | 1 724 000 | 1 801 863 |
| Depreciation | 10 | 79 483 | 95 000 | 93 873 |
| Total expenses | | 5 361 913 | 5 347 000 | 5 449 602 |
| Operating surplus/(deficit) | | 182 540 | 25 000 | (67 432) |
| OTHER COMPREHENSIVE INCOME | | | | |
| (Decrease) in the asset revaluation surplus | | (6 171) | - | (7 767) |
| Total other comprehensive income | | (6 171) | - | (7 767) |
| Total comprehensive income/(deficit) | | 176 369 | 25 000 | (75 199) |

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

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

The budget amounts disclosed above are sourced from 2009-10 Budget Paper No. 4.

ACT AUDITOR-GENERAL'S OFFICE
OPERATING STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

The Audit Office operating surplus (\$182 540) exceeded the budgeted surplus (\$25 000) and prior year deficit (\$67 432).

The operating surplus exceeded the budgeted surplus due mainly to:

- 'one-off' revenue from performing audits relating to the Lyons Joint Venture, final audits relating to the ACT Cleaning and Construction Industry Long Service Leave Authorities and some Commonwealth grant acquittals. If this revenue were excluded from the operating result then, then the operating result would have been much lower (\$86 540); and
- lower than expected supplies and services costs as no performance audits were conducted by an external performance audit contractor during the year. This funding was used to pay the salary for a senior performance audit manager. The Office also incurred lower than expected accommodation and information technology costs. This was partially offset by the costs of engaging two senior auditors from private sector firms to assist in the completion of the 2008-09 financial audit program.

These were partially offset by higher than expected employee costs due mainly to growth in long service leave entitlements, pay rises and higher superannuation payments.

Further information on major variances from the previous year's results is provided in the accompanying notes for the account balances disclosed in the operating statement.

ACT AUDITOR-GENERAL'S OFFICE

BALANCE SHEET
AS AT 30 JUNE 2010

| | Note | Actual 2010 \$ | Budget 2010 \$ | Actual 2009 \$ |
|--------------------------------------|------|----------------------|----------------------|----------------------|
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | 11 | 1 417 871 | 1 014 000 | 1 108 686 |
| Receivables | 12 | 1 489 515 | 1 404 000 | 1 275 371 |
| Other assets | 13 | 30 160 | 4 000 | 22 463 |
| Total current assets | | 2 937 546 | 2 422 000 | 2 406 520 |
| NON-CURRENT ASSETS | | | | |
| Plant and equipment | 14 | 417 712 | 459 000 | 512 267 |
| Total non-current assets | | 417 712 | 459 000 | 512 267 |
| Total assets | | 3 355 258 | 2 881 000 | 2 918 787 |
| CURRENT LIABILITIES | | | | |
| Payables | 15 | 90 958 | 208 000 | 53 347 |
| Finance leases | 16 | 24 642 | 10 000 | 26 993 |
| Employee benefits | 17 | 1 259 897 | 963 000 | 1 078 988 |
| Other liabilities | 18 | 5 208 | 5 000 | 15 625 |
| Total current liabilities | | 1 380 705 | 1 186 000 | 1 174 953 |
| NON-CURRENT LIABILITIES | | | | |
| Finance leases | 16 | - | 54 000 | 24 642 |
| Employee benefits | 17 | 81 738 | 103 000 | 3 707 |
| Other liabilities | 18 | 72 500 | 1 000 | 77 708 |
| Total non-current liabilities | | 154 238 | 158 000 | 106 057 |
| Total liabilities | | 1 534 943 | 1 344 000 | 1 281 010 |
| NET ASSETS | | 1 820 315 | 1 537 000 | 1 637 775 |
| EQUITY | | | | |
| Accumulated funds | 19 | 1 807 251 | 1 510 000 | 1 618 540 |
| Asset revaluation surplus | 20 | 13 064 | 27 000 | 19 235 |
| Total equity | | 1 820 315 | 1 537 000 | 1 637 775 |

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

The budget amounts disclosed above are sourced from 2009-10 Budget Paper No. 4.

ACT AUDITOR-GENERAL'S OFFICE

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 JUNE 2010 AND 30 JUNE 2009

| | Accumulated Funds Actual 2010 \$ | Asset Revaluation Surplus Actual 2010 \$ | Total Equity Actual 2010 \$ | Original Budget 2010 \$ |
|--|--|---|---|----------------------------------|
| Balance at the beginning of the reporting period | 1 618 540 | 19 235 | 1 637 775 | 1 512 000 |
| <i>Comprehensive income/(deficit)</i> | | | | |
| Operating surplus | 182 540 | - | 182 540 | 25 000 |
| Decrease in the asset revaluation surplus | - | (6 171) | (6 171) | - |
| Total comprehensive income/(deficit) | 182 540 | (6 171) | 176 369 | 25 000 |
| Transfer from the asset revaluation surplus relating to sold plant and equipment | 6 171 | - | 6 171 | - |
| | 6 171 | - | 6 171 | - |
| Balance at the end of the reporting period | 1 807 251 | 13 064 | 1 820 315 | 1 537 000 |

| | Accumulated Funds Actual 2009 \$ | Asset Revaluation Surplus Actual 2009 \$ | Total Equity Actual 2009 \$ | Original Budget 2009 \$ |
|--|--|---|---|----------------------------------|
| Balance at the beginning of the reporting period | 1 678 206 | 27 002 | 1 705 208 | 642 000 |
| <i>Comprehensive (deficit)/income</i> | | | | |
| Operating deficit | (67 432) | - | (67 432) | (5 000) |
| Decrease in the asset revaluation surplus | - | (7 767) | (7 767) | - |
| Total comprehensive (deficit)/income | (67 432) | (7 767) | (75 199) | 637 000 |
| Transfer from the asset revaluation surplus relating to sold plant and equipment | 7 767 | - | 7 767 | - |
| | 7 767 | - | 7 767 | - |
| Balance at the end of the reporting period | 1 618 540 | 19 235 | 1 637 775 | 637 000 |

These Statements of Changes in Equity should be read in conjunction with the accompanying notes.

The budget amounts disclosed above are sourced from 2009-10 and 2008-09 Budget Paper No. 4.

ACT AUDITOR-GENERAL'S OFFICE

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Actual 2009-10 \$ | Budget 2009-10 \$ | Actual 2008-09 \$ |
|---|------|-------------------------|-------------------------|-------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| RECEIPTS | | | | |
| Appropriation | | 2 112 000 | 2 112 000 | 2 072 000 |
| Financial audit fees | | 3 133 782 | 3 200 000 | 3 310 630 |
| Interest | | 64 430 | 60 000 | 66 451 |
| Goods and Services Tax collected from auditees | | 313 962 | 222 000 | 327 559 |
| Goods and Services Tax refunded from the Australian Taxation Office | | 35 228 | - | 98 047 |
| Other | | 53 151 | - | 30 |
| Total receipts from operating activities | | 5 712 553 | 5 594 000 | 5 874 717 |
| PAYMENTS | | | | |
| Employees | | (3 409 531) | (3 520 000) | (3 419 938) |
| Supplies and services | | (1 632 735) | (1 755 000) | (1 949 908) |
| Goods and Services Tax paid on goods and services | | (164 685) | (222 000) | (196 608) |
| Goods and Services Tax remitted to the Australian Taxation Office | | (187 093) | - | (196 933) |
| Total payments from operating activities | | (5 394 044) | (5 497 000) | (5 763 387) |
| Net cash inflows from operating activities | (a) | 318 509 | 97 000 | 111 330 |

Net cash inflows from operating activities (\$318 509) exceeded budget expectations (\$97 000) and the prior year's result (\$111 330) due mainly to lower supplies and services costs. See Note 15: 'Supplies and Services' for further information.

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

The budget amounts disclosed above are sourced from 2009-10 Budget Paper No. 4.

ACT AUDITOR-GENERAL'S OFFICE

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Actual 2009-10 \$ | Budget 2009-10 \$ | Actual 2008-09 \$ |
|---|------|-------------------------|-------------------------|-------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| RECEIPTS | | | | |
| Proceeds from the sale of plant and equipment | | 19 718 | - | 38 209 |
| PAYMENTS | | | | |
| Payments for plant and equipment | | - | - | - |
| Cash inflows from investing activities | | 19 718 | - | 38 209 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| PAYMENTS | | | | |
| Payment of finance leases | | (29 042) | - | (52 652) |
| Cash (outflows) from financing activities | | (29 042) | - | (52 652) |
| Net increase in cash and cash equivalents | | 309 185 | 97 000 | 96 887 |
| Cash and cash equivalents at the beginning of the reporting period | | 1 108 686 | 917 000 | 1 011 799 |
| Cash and cash equivalents at the end of the reporting period | (b) | 1 417 871 | 1 014 000 | 1 108 686 |

The reduction in the payment of finance leases from \$52 652 in 2008-09 to \$29 042 in 2009-10 is due to the reduction in the number of motor vehicles provided as part of the remuneration of senior executives.

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

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

The budget amounts disclosed above are sourced from 2009-10 Budget Paper No. 4.

ACT AUDITOR-GENERAL'S OFFICE

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

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

| | Actual 2009-10 \$ | Actual 2008-09 \$ |
|---|-------------------------|-------------------------|
| Operating surplus/(deficit) | 182 540 | (67 432) |
| Depreciation | 79 483 | 93 873 |
| Borrowing costs on finance leases – motor vehicles | 2 050 | 3 361 |
| (Gain) on the sale of property, plant and equipment | (4 647) | (3 547) |
| Changes in assets and liabilities | | |
| (Increase)/decrease in receivables | (214 145) | 127 489 |
| (Increase) in other current assets | (7 697) | (4 871) |
| Increase/(decrease) in payables | 37 610 | (154 182) |
| Increase in employee benefits | 258 940 | 132 264 |
| (Decrease) in other liabilities | (15 625) | (15 625) |
| Net cash inflows from operating activities | 318 509 | 111 330 |

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

| | Actual 2010 \$ | Actual 2009 \$ |
|---|----------------------|----------------------|
| Cash at bank and on hand | 417 871 | 608 686 |
| Investments with the Territory Banking Account | 1 000 000 | 500 000 |
| Cash and Cash Equivalents in the Cash Flow Statement and the Balance Sheet | 1 417 871 | 1 108 686 |

Note (c): Non-Cash Financing Activities

| | Actual 2009-10 \$ | Actual 2008-09 \$ |
|--|-------------------------|-------------------------|
| Acquisition of motor vehicles by means of finance leases | - | 37 475 |
| | - | 37 475 |

ACT AUDITOR-GENERAL'S OFFICE

**STATEMENT OF APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2010**

| | 2009-10 Original Budget \$ | 2009-10 Total Appropriated \$ | 2009-10 Appropriation Drawn \$ | 2008-09 Appropriation Drawn \$ |
|----------------------------|---|--|---|---|
| Appropriation | 2 112 000 | 2 112 000 | 2 112 000 | 2 072 000 |
| Total appropriation | 2 112 000 | 2 112 000 | 2 112 000 | 2 072 000 |

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

The budget amount disclosed above is sourced from 2009-10 Budget Paper No. 4.

The Audit Office received the budgeted level of appropriation in 2009-10.

The increase of \$40 000 (1.9 percent) in the Audit Office's appropriation represents the indexation of the 2008-09 appropriation.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

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- 3A Changes to Significant Accounting Policies and Accounting Estimates and Correction for Prior Period Errors**
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ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

1. Objectives of the Audit Office

The objectives of the Audit Office are to inform the ACT Legislative Assembly and the community of the performance of the ACT public sector, promote accountability and to contribute to the improvement in ACT public sector administration.

2. Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all of the reporting periods presented in these financial statements.

(a) Basis of Preparation

(i) Application of Generally Accepted Accounting Principles

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

'Generally Accepted Accounting Principles' are Australian Accounting Standards and accounting interpretations issued by the Australian Accounting Standards Board.

The Audit Office is an individual reporting entity.

(ii) Accrual Accounting

The financial statements have been prepared using the accrual basis of accounting. This basis of accounting recognises the effects of transactions and events when they occur.

(iii) Historical Cost Convention

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

(iv) Significant Accounting Estimates

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****2. Significant Accounting Policies (Continued)****(a) Basis of Preparation (Continued)****(v) The Reporting Period**

The financial statements present the Audit Office's financial performance, changes in equity and cash flows for the year ended 30 June 2010 and its financial position as at 30 June 2010.

(b) Comparatives**(i) Budget Information**

The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the Budget Papers. Budget figures contained in 2009-10 Budget Paper No. 4 have therefore been presented to allow easy comparison to the Budget Papers.

(ii) Prior Year Comparatives

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

(c) Revenue Recognition

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

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

(i) Appropriation

The Audit Office's performance audit function and other activities related to its objectives are generally funded by an appropriation, while the cost of conducting financial audits is recovered from audit fees. The presiding member of the Standing Committee on Public Accounts advises the Treasurer of the appropriation that should be made for the operations of the Auditor-General for the year.

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

2. Significant Accounting Policies (Continued)

(c) Revenue Recognition (Continued)

(ii) Financial Audit Fees

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

(iii) Interest

Interest income is recognised using the effective interest rate method.

(d) Cash and Cash Equivalents

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

(e) Receivables

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

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****2. Significant Accounting Policies (Continued)****(e) Receivables (Continued)**

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

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

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

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

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

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

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

(ii) Measurement of Plant and Equipment after Initial Recognition

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

2. Significant Accounting Policies (Continued)

(f) Plant and Equipment (Continued)

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

Where a market price cannot be obtained for an asset because the asset is specialised and is rarely sold, fair value is measured using the estimated depreciated replacement cost for that asset.

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

(iii) Depreciation

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

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

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

Depreciation of plant and equipment is estimated as follows:

| Class of Asset | Estimated Useful Life |
|-------------------------------------|------------------------------|
| Office fit-out | 11 years |
| Motor vehicles under finance leases | 2 years |

(g) Impairment

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****2. Significant Accounting Policies (Continued)****(g) Impairment (Continued)**

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

(h) Payables

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

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

(i) Employee Benefits

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. On-costs include annual leave, long service leave, superannuation and other costs that are incurred when employees take annual and long service leave. These benefits accrue as a result of services provided by employees up to the reporting date that remain unpaid. They are recorded as a liability and as an expense.

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.

(i) Wages and Salaries

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

(ii) Annual and Long Service Leave

Annual leave and long service leave that fall due wholly within the next 12 months are measured based on the estimated amount of remuneration payable when the leave is taken.

Annual and long service leave including applicable on-costs that do not fall due within the next 12 months are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At each reporting date, the estimated future payments are discounted using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash flows.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

2. Significant Accounting Policies (Continued)

(i) Employee Benefits (Continued)

(ii) Annual and Long Service Leave (Continued)

In 2009-10, the discount factor used to estimate the present value of these future payments is 92.9 percent (90.5 percent in 2008-09). This change to the discount rate increased the estimated liabilities for annual and long service leave and the related expenses by \$14 044.

The 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 qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and the applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

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. However, where there is an unconditional right to defer settlement of the liability for at least 12 months, annual leave and long service leave have been classified as a non-current liability in the Balance Sheet.

(iii) Superannuation

Defined Benefit Superannuation Schemes

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

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****2. Significant Accounting Policies (Continued)****(i) Employee Benefits (Continued)****(iii) Superannuation (Continued)****Accumulated Benefit Superannuation Schemes**

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

No liability is recognised in the Balance Sheet in relation to these accumulation plans as the Audit Office's liability is extinguished when superannuation payments are made to the plan.

Other Superannuation Schemes

Superannuation payments are also made to other superannuation schemes chosen by employees.

No liability is recognised in the Balance Sheet in relation to these accumulation plans as the Audit Office's liability is extinguished when superannuation payments are made to the plan.

(j) Leases

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

(i) Finance Leases

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

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

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

2. Significant Accounting Policies (Continued)

(j) Leases (Continued)

(ii) Operating Leases

Operating leases are leases where the lessor effectively retains substantially the risks and benefits of ownership of the leased assets. The minimum lease payments of operating leases are recognised as an expense on a straight-line basis.

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

(k) Other Liabilities - Provision for Make Good

The Audit Office has recorded a liability and a corresponding asset for the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy if the Office was to leave the premises.

The estimated liability is based on an estimate provided by an independent valuer. (Mr Simon O'Leary (AAPI, Plant and Machinery, MSAA), Senior Valuer Plant and Equipment, Australian Government Australian Valuation Office.

3A. Changes to Significant Accounting Policies and Accounting Estimates and Corrections for Prior Period Errors

There were no changes to significant accounting policy and no changes to accounting estimates that had a material impact during the reporting period.

As disclosed in Note 2(i)(ii): 'Annual and Long Service Leave' a change to the discount rate used to estimate annual and long service leave liabilities increased the estimate of these liabilities and the related expenses by \$14 044.

There were also no material corrections to the financial statements for prior period errors during the reporting period.

3B. Impact of Accounting Standards Issued but yet to be Applied

It is expected that the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that apply to future reporting periods will have no material financial impact on the Audit Office's financial statements in the future reporting period in which they apply.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****4. Significant Accounting Estimates and Judgements**

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

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

(i) Receivables – Accrued Financial Audit Income

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

(ii) Receivables - Impairment

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

(iii) Plant and Equipment - Fair Value

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

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

See Note 14: 'Plant and Equipment' for further information.

(iv) Plant and Equipment - Depreciation

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

4. Significant Accounting Estimates and Judgements (Continued)

(v) Plant and Equipment - Impairment

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

(vi) Employee Benefits

Significant judgements have been applied in estimating the liability for employee benefits. The estimated liability for employee benefits requires a consideration of the future wage and salary levels, experience of employee departures 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 that on-costs will become payable. Further information on this estimate is provided in Note 2(i): 'Employee Benefits'.

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

Note 17: 'Employee Benefits' provides information on employee benefits estimated to be payable within 12 months and after 12 months.

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

(viii) Leases

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

(ix) Other Liabilities - Provision for Make Good

Note 2(k): 'Other liabilities - Provision for Make Good' discloses that the cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy if the Office was to leave the premises has been estimated.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

5. Financial Audit Fees

| | 2009-10 | 2008-09 |
|-----------------------------------|------------------|------------------|
| | \$ | \$ |
| General Government Sector (i) | 1 863 441 | 1 743 297 |
| Public Trading Enterprises (ii) | 517 982 | 544 066 |
| Other (iii) | 892 603 | 942 974 |
| Total Financial Audit Fees | 3 274 026 | 3 230 337 |

Financial audit fees increased by \$43 689 (1.4 percent) from 2008-09 levels.

- (i) **General Government Sector** - Audit fees for agencies in the General Government Sector increased by \$120 144 (6.9 percent) as the Office completed the audit of the new Department of the Environment, Climate Change, Energy and Water and commenced the audit of the new Department of Land and Property Services. Audit fees in 2009-10 were increased by the wage price index of 3.5 percent and a further amount of four percent following a recommendation by the independent auditor of the operations of the Audit Office that audit fees should be set to recover 'an appropriate share of the costs of office-wide projects and systems such as quality control'.
- (ii) **Public Trading Enterprises** - Audit fees charged to agencies in the Public Enterprise Sector fell by \$26 084 (4.8 percent) reflecting lower costs of completing the audit of the ACTEW Group.
- (iii) **Other** - Other financial audit fees fell by \$50 371 (5.3 percent) because the audit of the ECOWISE Group is no longer performed by the Audit Office following its sale.

This reduction was partially offset by 'one-off' revenue from performing audits relating to the Lyons Joint Venture, final audits relating to the ACT Cleaning and Construction Industry Long Service Leave Authorities and some Commonwealth grant acquittals.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

6. Other Income

| | 2009-10 | 2008-09 |
|--|----------------|---------------|
| | \$ | \$ |
| Interest | 65 851 | 65 609 |
| Legal services received free of charge from the ACT Government Solicitor's Office | 5 899 | 10 647 |
| Worker's compensation recovery | 82 005 | - |
| Other | 25 | 30 |
| Total Other Income | 153 780 | 76 286 |

The increase in other income is largely due to the recovery of the salary costs of an employee from Comcare relating to a worker's compensation claim by the employee.

7. Gain on the Sale of Plant and Equipment

| | 2009-10 | 2008-09 |
|--|--------------|--------------|
| | \$ | \$ |
| Gain on the sale of motor vehicles | 4 647 | 3 547 |
| Total Gain on the Sale of Plant and Equipment | 4 647 | 3 547 |

One motor vehicle provided as part of the remuneration of a senior executive was sold by auction during the 2009-10 reporting period. The gain represents the difference between the sale proceeds and the written-down value of the asset.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
Year Ended 30 June 2010

8. Employees

| | 2009-10 | 2008-09 |
|--|------------------|------------------|
| | \$ | \$ |
| Salaries | 2 996 322 | 2 964 879 |
| Superannuation | 463 142 | 451 225 |
| Annual leave | 27 705 | 19 814 |
| Long service leave | 105 187 | 81 294 |
| Other employee benefits | 22 100 | - |
| Fringe Benefits Tax | 12 101 | 11 280 |
| Motor vehicle running costs | 10 638 | 14 766 |
| Borrowing costs on finance leases – motor vehicles | 2 050 | 3 361 |
| Workers' compensation premium | 16 005 | 7 247 |
| Total Employees | 3 655 250 | 3 553 866 |

Employee expenses increased by \$101 384 (2.9 percent) in 2009-10 due mainly to pay rises and an increase in staff long service leave entitlements.

These higher costs were partially offset by cost savings achieved from a reduction in the number of full-time equivalent staff numbers since the 2008-09 reporting period. The Audit Office's *average* full-time equivalent staff numbers fell from 33.9 in 2008-09 to 32.10 in 2009-10.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
Year Ended 30 June 2010

9. Supplies and Services

| | Note | 2009-10 \$ | 2008-09 \$ |
|--|------|------------------|------------------|
| Contractors – performance audits | | - | 15 400 |
| – financial audits | | 948 676 | 1 020 928 |
| – internal audit | | 17 260 | 17 380 |
| – other | | 3 300 | 4 255 |
| Sub-total | | 969 236 | 1 057 963 |
| Accommodation lease | | 220 549 | 212 919 |
| Information technology | | 182 946 | 205 260 |
| Training | | 58 031 | 62 637 |
| Printing | | 25 598 | 34 613 |
| Payroll and recruitment processing | | 20 026 | 20 290 |
| Recruitment and advertising costs | | 4 610 | 12 208 |
| Electricity, gas and cleaning | | 25 220 | 30 872 |
| Telephones | | 18 860 | 19 143 |
| Travel | (a) | 9 296 | 15 594 |
| Library journals and subscriptions | | 14 187 | 18 788 |
| Security | | 9 414 | 8 736 |
| Computer software and consumables | | 12 075 | 3 176 |
| Insurance | | 7 361 | 8 980 |
| Audit fees | | 11 667 | 10 000 |
| Stationery | | 6 591 | 6 793 |
| Legal services received free of charge from the ACT Government Solicitor's Office | | 5 899 | 10 647 |
| Office equipment | | 1 808 | 4 695 |
| Impairment losses and write-offs | 24 | - | - |
| Security vetting of employees | | - | 21 982 |
| Venue and equipment hire | | 171 | 903 |
| Other | | 23 635 | 35 664 |
| Sub-total | | 657 944 | 743 900 |
| Total Supplies and Services | | 1 627 180 | 1 801 863 |

Note (a) - Travel costs are mostly related to the attendance at the business meetings held by the Australasian Council of Auditors-General, and also includes travelling costs of staff to review audits under reciprocal peer review arrangements with the Tasmanian Audit Office.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

9. Supplies and Services (Continued)

Supplies and services costs fell by \$174 683 (9.7 percent). This cost reduction is mostly due to:

- a reduction in fees paid to contractors used to assist in completing the financial audit program. See Note 5: 'Financial Audit Fees' for further information on the lower costs incurred in relation to the audits of the ECOWISE Group and ACTEW Group. These lower costs were partially offset by the contracting of two senior auditors from private sector firms to assist in the completion of the 2008-09 financial audit program; and
- lower information technology, printing, recruitment and advertising and security vetting costs.

10. Depreciation

| | 2009-10 | 2008-09 |
|---|---------------|---------------|
| | \$ | \$ |
| Office fit-out | 66 601 | 66 510 |
| Depreciation of motor vehicles held under a finance lease arrangement | 12 882 | 27 363 |
| Total Depreciation | 79 483 | 93 873 |

Depreciation fell due to the decrease in the number of motor vehicles held by the Audit Office under a finance lease arrangement.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

11. Cash and Cash Equivalents

| | 2010 | 2009 |
|--|------------------|------------------|
| | \$ | \$ |
| Bank | 417 371 | 608 186 |
| Petty cash | 500 | 500 |
| Investments with the Territory Banking Account | 1 000 000 | 500 000 |
| Total Cash and Cash Equivalents | 1 417 871 | 1 108 686 |

Cash at bank is held with the Commonwealth Bank. Cash at bank earned an average floating interest rate of 3.6 percent during the 2009-10 reporting period (5.0 percent in the 2008-09 reporting period).

Cash invested with the Territory Banking Account earned an average floating interest rate of 5.78 percent in the 2009-10 reporting period (5.0 percent in the 2008-09 reporting period).

Bank and investment funds may be withdrawn upon request.

The cash and cash equivalents balance at 30 June 2010 exceeded the prior year's position by \$309 185 (27.9 percent).

As disclosed in the Cash Flow Statement, this increase largely resulted from the net cash generated from the Audit Office's operating activities.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

12. Receivables

| | 2010 | 2009 |
|---|------------------|------------------|
| | \$ | \$ |
| Invoiced financial audit debtors (i) | 473 294 | 99 730 |
| Accrued financial audit income (ii) | 960 238 | 1 159 599 |
| Sub-total | 1 433 532 | 1 259 329 |
| Goods and Services Tax net receivable (iii) | - | 11 529 |
| Fringe Benefits Tax receivable (iv) | 15 270 | - |
| Worker's compensation recovery (v) | 34 778 | - |
| Accrued interest | 5 935 | 4 513 |
| Sub-total | 55 983 | 16 042 |
| Total Receivables | 1 489 515 | 1 275 371 |

- (i) Invoiced financial audit debtors – represents amounts billed to auditees for the audits of their financial reports. Credit terms are net 14 days.
- (ii) Accrued financial audit income – represents unbilled amounts receivable from auditees for audit work performed up until the end of the reporting period. It includes amounts recoverable from auditees for amounts billed to the Audit Office by the audit contractors, IT consultants, tax specialists, actuaries or other specialists engaged to assist the completion of the financial audit program.
- (iii) Goods and Services Tax net receivable – is the amount receivable from the Australian Taxation Office when the Business Activity Statement is lodged on a quarterly basis. The amount is the net of the Goods and Services Tax paid on supplies and the Goods and Services Tax collected from financial audits payable to the Australian Taxation Office.
- As disclosed in Note 15: 'Payables' there was a net amount owing to the Australian Taxation Office at 30 June 2010.
- (iv) Fringe Benefits Tax receivable – are the amounts recoverable from the Australian Taxation Office and for overpaid tax and Shared Services relating to staff salary packaging arrangements.
- (v) Worker's compensation recovery is the amount recoverable from Comcare relating to a worker's compensation claim by the employee.

Credit risk relating to receivables is disclosed in paragraph (c) of Note 25: 'Financial Risk Management'. Receivables are non-interest bearing.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

12. Receivables (Continued)

The increase of \$214 144 (16.8 percent) in receivables largely reflects the higher amount of hours worked on financial audits by the Office's financial audit teams by the end of the 2009-10 reporting period and the worker's compensation recovery from Comcare.

| Aging of Receivables | 2010 | 2009 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Not overdue | 1 471 671 | 1 175 641 |
| Overdue for less than 30 days | - | 89 830 |
| Overdue for 30 to 60 days | - | 9 900 |
| Overdue for more than 60 days | 17 844 | - |
| Sub-total | 1 489 515 | 1 275 371 |
| Less: Allowance for impairment | - | - |
| Total Receivables | 1 489 515 | 1 275 371 |

The amount overdue for more than 60 days represents an amount receivable from the Department of Territory and Municipal Services for an acquittal audit of a Commonwealth grant (Heavy Vehicle Safety and Productivity Program) and the audit of the ACT Building and Construction Industry Training Fund Authority. These overdue amounts were received after the end of the reporting period.

| Receivables with ACT Government Entities | 2010 | 2009 |
|--|----------------|----------------|
| | \$ | \$ |
| Invoiced financial audit debtors | 168 135 | - |
| Accrued financial audit income | 789 134 | 904 570 |
| Accrued interest | 4 080 | - |
| Fringe Benefits Tax receivable | 6 485 | - |
| Sub-total | 967 834 | 904 570 |
| Less: Allowance for impairment | - | - |
| | 967 834 | 904 570 |

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

12. Receivables (Continued)

| Receivables with Non-ACT Government Entities | 2010 | 2009 |
|---|-------------------------|-------------------------|
| | \$ | \$ |
| Invoiced financial audit debtors | 305 159 | 99 730 |
| Accrued financial audit income | 171 104 | 255 029 |
| Accrued interest | 1 855 | 4 513 |
| Goods and Services Tax paid on supplies | - | 11 529 |
| Fringe Benefits Tax receivable | 8 785 | - |
| Worker's compensation recovery | 34 778 | - |
| Sub-total | <u>521 681</u> | <u>370 801</u> |
| Less: Allowance for impairment | - | - |
| | <u>521 681</u> | <u>370 801</u> |
| Total Receivables | <u>1 489 515</u> | <u>1 275 371</u> |

13. Other Current Assets

| | 2010 | 2009 |
|-----------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Prepayments | 30 160 | 22 463 |
| Total Other Current Assets | <u>30 160</u> | <u>22 463</u> |

Prepayments largely consist of the prepayment of the licence to use the financial audit methodology used by the Audit Office (IPSAM) and subscriptions to various professional organisations.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

14. Plant and Equipment

| | 2010 | 2009 |
|---|-----------------------|-----------------------|
| | \$ | \$ |
| Office fit-out (at fair value) | 546 100 | 546 100 |
| Less: Accumulated depreciation | (152 883) | (86 283) |
| Sub-total | <u>393 217</u> | <u>459 817</u> |
| Motor vehicles under finance leases (at fair value) | 37 475 | 68 475 |
| Less: Accumulated depreciation | (12 980) | (16 025) |
| Sub-total | <u>24 495</u> | <u>52 450</u> |
| Total plant and equipment | 583 575 | 614 575 |
| Less: Accumulated depreciation | (165 863) | (102 308) |
| Total Plant and Equipment | <u>417 712</u> | <u>512 267</u> |

The balances at 30 June 2010 for the Office fit-out and motor vehicles under finance leases were measured at fair value. The valuation of these assets was performed at 30 June 2008 by Mr Simon O'Leary (AAPI, Plant and Machinery, MSAA), Senior Valuer Plant and Equipment, Australian Government Australian Valuation Office.

As disclosed in Note 2(k): 'Other liabilities – Provision for Make Good', the Audit Office has included in the Office fit-out valuation, the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy in the event the Office were to leave the premises.

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

The computer equipment used by the Office is provided under the operating lease arrangements disclosed in Note 22: 'Commitments'.

The valuation of motor vehicles under finance leases was based on their assessed market value.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

14. Plant and Equipment (Continued)

The decline in the plant and equipment balance is largely due to depreciation charges incurred during the 2009-10 reporting period.

| Reconciliations of the Movements in the Carrying Amounts of Plant and Equipment | 2009-10 | 2008-09 |
|--|----------------|----------------|
| | \$ | \$ |
| Office fit-out | | |
| Carrying amount at the beginning of the reporting period | 459 817 | 526 327 |
| Additions | - | - |
| Revaluation increment | - | - |
| Depreciation | (66 600) | (66 510) |
| Write-offs | - | - |
| Carrying amount at the end of the reporting period | 393 217 | 459 817 |

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

14. Plant and Equipment (Continued)

| Reconciliations of the Movements in the Carrying amounts of Plant and Equipment (Continued) | 2009-10 \$ | 2008-09 \$ |
|---|---------------|---------------|
| Motor vehicles under a finance lease | | |
| Carrying amount at the beginning of the reporting period | 52 450 | 77 000 |
| Additions | - | 37 475 |
| Disposals | (15 073) | (34 662) |
| Revaluation increment | - | - |
| Depreciation | (12 882) | (27 363) |
| Carrying amount at the end of the reporting period | 24 495 | 52 450 |

15. Payables

| | 2010 \$ | 2009 \$ |
|--|---------------|---------------|
| Creditors and accruals | 74 021 | 53 347 |
| Goods and Services Tax – net payable (i) | 16 937 | - |
| Total Payables | 90 958 | 53 347 |

Creditors and accruals – represents amounts payable for goods and services provided to the Audit Office prior to the end of the reporting period.

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

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

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

15. Payables (Continued)

- a. Goods and Services Tax net payable – is the amount payable to the Australian Taxation Office when the Business Activity Statement is lodged on a quarterly basis. The amount is the net of the Goods and Services Tax paid on supplies and the Goods and Services Tax collected from financial audits payable to the Australian Taxation Office.

As disclosed in Note 12: 'Receivables' there was a net amount owing from the Australian Taxation Office at 30 June 2009.

Payables increased by \$37 611 (70.5 percent). At the end of the 2009-10 reporting period, there was a higher level of unpaid invoices from audit contractors and IT specialists engaged to assist in the completion of the financial audit program because the Audit Office received these invoices close to the end of this reporting period.

In 2008-09, invoices from audit contractors and IT specialists were paid before the end of the previous reporting period, resulting in a much lower level of unpaid amounts at the end of this reporting period.

| Aging of Payables | 2010 | 2009 |
|-------------------------------|---------------|---------------|
| | \$ | \$ |
| Not overdue | 90 958 | 53 347 |
| Overdue for less than 30 days | - | - |
| Overdue for 30 to 60 days | - | - |
| Overdue for more than 60 days | - | - |
| Total Payables | 90 958 | 53 347 |

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

15. Payables (Continued)

| Payables with ACT Government Entities | 2010 | 2009 |
|--|---------------|---------------|
| | \$ | \$ |
| Creditors and accruals | 18 947 | 11 099 |
| | 18 947 | 11 099 |
| Payables with Non-ACT Government Entities | 2010 | 2009 |
| | \$ | \$ |
| Creditors and accruals | 72 011 | 42 248 |
| | 72 011 | 42 248 |
| Total Payables | 90 958 | 53 347 |

16. Finance Leases

| | 2010 | 2009 |
|---|---------------|---------------|
| | \$ | \$ |
| Current - due at the reporting date | 24 642 | 26 993 |
| Non-current - not due at the reporting date | - | 24 642 |
| Total Finance Leases | 24 642 | 51 635 |

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

The terms and conditions of finance leases are disclosed in Note 22: 'Commitments'.

The decline in the finance leases liability represents the reduction in the number of motor vehicles provided as part of the remuneration of senior executives from two to one motor vehicle.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

17. Employee Benefits

| | 2010 | 2009 |
|--|------------------|------------------|
| | \$ | \$ |
| Current - due at the reporting date | | |
| Accrued salaries | 174 130 | 60 278 |
| Salary packaging expenses | 8 148 | 9 052 |
| Annual leave | 399 949 | 372 244 |
| Long service leave | 655 570 | 628 414 |
| Other | 22 100 | 9 000 |
| | 1 259 897 | 1 078 988 |
| Non-current - not due at the reporting date | | |
| Long service leave | 81 738 | 3 707 |
| | 81 738 | 3 707 |
| Total Employee Benefits | 1 341 635 | 1 082 695 |

Most of the \$258 940 (23.9 percent) increase in employee benefits was caused by higher long service and annual leave liabilities and accrued salaries.

Long service leave and annual leave liabilities increased by \$105 187 (16.6 percent) and \$27 705 (7.4 percent) respectively because the benefits accrued for long service and annual leave exceeded the amount of long service and annual leave paid during the reporting period.

Accrued salaries were higher at the end of the reporting period because the payment of annual pay rises under the Audit Office's certified agreement was delayed, pending the outcomes of whole-of-government negotiations on the certified agreement.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

17. Employee Benefits (Continued)

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

| For information purposes only | 2010 | 2009 |
|--|------------------|------------------|
| | \$ | \$ |
| Estimated amount payable within 12 months | | |
| Accrued salaries | 174 130 | 60 278 |
| Salary packaging expenses | 8 148 | 9 052 |
| Annual leave | 280 477 | 282 334 |
| Long service leave | 268 505 | - |
| Other employee benefits | 22 100 | 9 000 |
| | 753 360 | 360 664 |
| Estimated amount payable after 12 months | | |
| Annual leave | 119 472 | 89 910 |
| Long service leave | 468 803 | 632 121 |
| | 588 275 | 722 031 |
| Total Employee Benefits | 1 341 635 | 1 082 695 |

The significant increase in long service leave payable within 12 months of the end of the reporting period is due to two senior executives expecting to be paid their entitlements following the completion of their term of employment with the Audit Office.

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
Year Ended 30 June 2010

17. Employee Benefits (Continued)**Staffing Levels**

The full-time equivalent staff employed by the Audit Office at 30 June 2010 was 35.74 compared to 35.4 at 30 June 2009. The *average* number of full-time equivalent staff employed was 32.10 in 2009-10 compared to 33.9 in 2008-09.

18. Other Liabilities

| | 2010 | 2009 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| Current | | |
| Lease incentive liability | 5 208 | 15 625 |
| | 5 208 | 15 625 |
| Non-Current | | |
| Provision for make good | 72 500 | 72 500 |
| Lease incentive liability | - | 5 208 |
| | 72 500 | 77 708 |
| Total Other Liabilities | 77 708 | 93 333 |

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

19. Accumulated Funds

| | 2010 | 2009 |
|---|------------------|------------------|
| | \$ | \$ |
| Balance at the beginning of the reporting period | 1 618 540 | 1 678 205 |
| Operating surplus/(deficit) | 182 540 | (67 432) |
| Transfer from the asset revaluation surplus | 6 171 | 7 767 |
| Balance at the end of the reporting period | 1 807 251 | 1 618 540 |

20. Asset Revaluation Surplus

| | 2010 | 2009 |
|---|---------------|---------------|
| | \$ | \$ |
| Balance at the beginning of the reporting period | 19 235 | 27 002 |
| Revaluation increments | - | - |
| Transfer of asset revaluation surplus relating to sold plant and equipment to accumulated funds | (6 171) | (7 767) |
| Balance at the end of the reporting period | 13 064 | 19 235 |

21. Auditor's Remuneration

An independent auditor was appointed to audit the Audit Office's financial statements and to provide a report of factual findings on the Office's statement of performance.

The auditor's remuneration for 2009-10 is \$10 167 excluding GST (2008-09: \$10 000).

The auditor did not provide other services to the Audit Office.

The independent auditor was selected by the Chief Minister under section 27 of the *Auditor-General Act 1996* to conduct audits of the Audit Office's financial statements and reviews of the Office's statement of performance for the 2009-10, 2010-11 and 2011-12 financial years.

The Office expects pay the auditor \$33 550 including GST for these services over this three-year period.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

22. Commitments**Finance Lease Commitments**

Finance lease commitments for motor vehicles are as follows:

| | 2010 | 2009 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Not later than one year | 25 138 | 29 042 |
| Later than one year and not later than five years | - | 25 139 |
| Later than five years | - | - |
| Sub-total | <u>25 138</u> | <u>54 181</u> |
| Less: Future interest charges | (496) | (2 546) |
| Total Finance Lease Commitments | <u>24 642</u> | <u>51 635</u> |

The current and non-current liability for finance leases is presented in Note 16: 'Finance Leases'.

There is one motor vehicle lease which is for a two-year term with an implicit fixed interest rate of 5.3 percent.

The decline in the finance lease commitments represents the reduction in the number of motor vehicles provided as part of the remuneration of senior executives from two to one motor vehicle.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

22. Commitments (Continued)

Operating Lease Commitments

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

| | 2010 | 2009 |
|---|----------------|----------------|
| | \$ | \$ |
| Not later than one year | 195 257 | 379 135 |
| Later than one year and not later than five years | 46 656 | 254 099 |
| Later than five years | - | - |
| Total Operating Lease Commitments | 241 913 | 633 234 |

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

Operating lease commitments fell as the Audit Office met its contracted obligations during 2009-10 for the Office's accommodation and information technology equipment.

Other Commitments

Other commitments to financial audit contractors are as follows.

| | 2010 | 2009 |
|---|----------|----------------|
| | \$ | \$ |
| Not later than one year | - | 897 907 |
| Later than one year and not later than five years | - | - |
| Later than five years | - | - |
| Total Other Commitments | - | 897 907 |

Other commitments fell as the Audit Office met its commitments to financial audit contractors during the 2009-10 reporting period. The Office has commenced the process of engaging financial audit contractors for future years.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****23. Contingent Liabilities**

No contingent liabilities are known to exist.

24. Act of Grace Payments, Waivers, Write-Offs and Impairment Losses**(a) Act of Grace Payments**

There were no act of grace payments made by the Audit Office during the 2009-10 or 2008-09 reporting periods.

(b) Waivers

Under the *Financial Management Act 1996*, the Treasurer may, in writing, waive the right to payment of an amount owing to the Audit Office. A waiver results in the relinquishment of a legal claim to an amount owed to the Audit Office.

There were no waivers of public monies during the 2009-10 or 2008-09 reporting periods.

(c) Write-Offs and Impairment Losses

The write-off of a debt is the accounting action taken to remove a debt from the accounting records but does not relinquish the legal right of the Audit Office to recover the debt.

There were no write-offs or impairment losses in the 2009-10 or 2008-09 reporting period.

25. Financial Instruments

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

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to movements in market interest rates.

The Audit Office's financial assets consist of cash and cash equivalents and receivables and its financial liabilities are comprised of payables and finance leases.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

25. Financial Instruments (Continued)

(b) Interest Rate Risk (Continued)

The Audit Office's maximum exposure to interest rate risk relating to these financial assets and liabilities is shown below in Note 25(i): 'Maturity Analysis and Exposure to Interest Rates'.

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

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

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

(c) Credit Risk Exposure

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

Financial assets consist of cash, investments, and receivables. The Audit Office's maximum exposure to credit risk is limited to the amount of these financial assets, net of any allowance made for impairment. This is shown below in Note 25(i): 'Maturity Analysis and Exposure to Interest Rates'.

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

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

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

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****25. Financial Instruments (Continued)****(d) Liquidity Risk**

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

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

Note 25(i): 'Maturity Analysis and Exposure to Interest Rates' discloses when the Audit Office expects its financial assets and financial liabilities to mature. It shows that, at the end of the reporting period, the Office held sufficient financial assets to meet its financial liabilities when they fall due.

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

(e) Price Risk

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

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

(f) Currency Risk

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

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

(g) Unrecognised Financial Assets and Financial Liabilities

There were no unrecognised financial assets or financial liabilities.

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010**

25. Financial Instruments (Continued)

(h) Fair Values of Financial Assets and Financial Liabilities

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

| | Note | Carrying Amount 2010 \$ | Fair Value 2010 \$ | Carrying Amount 2009 \$ | Fair Value 2009 \$ |
|------------------------------------|------|----------------------------------|--------------------------|----------------------------------|-----------------------------|
| Financial Assets | | | | | |
| Cash and cash equivalents | 11 | 1 417 871 | 1 417 871 | 1 108 686 | 1 108 686 |
| Receivables | 12 | 1 489 515 | 1 489 515 | 1 275 371 | 1 275 371 |
| Total Financial Assets | | 2 907 386 | 2 907 386 | 2 384 057 | 2 384 057 |
| Financial Liabilities | | | | | |
| Payables | 15 | 90 958 | 90 958 | 53 347 | 53 347 |
| Finance leases | 16 | 24 642 | 24 642 | 51 635 | 51 635 |
| Total Financial Liabilities | | 115 600 | 115 600 | 104 982 | 104 982 |

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

25. Financial Instruments (Continued)**(i) Maturity Analysis and Exposure to Interest Rates**

The following tables set out the Audit Office's maturity analysis for financial assets and financial liabilities as well as the exposure to interest rates, including the weighted average interest rates, by maturity period, as at 30 June 2010 and 30 June 2009.

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

The Audit Office does not hold any collateral as security relating to its financial assets. The Office does not hold any financial assets that are past due or impaired.

As at 30 June 2010

| | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing in One Year or Less | Fixed Interest Rate Maturing in One to Two Years | Non- Interest Bearing | Total |
|--|---|------------------------------|--|---|-----------------------------|------------------|
| | % | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 5.14% | 1 417 371 | - | - | 500 | 1 417 871 |
| Receivables | | - | - | - | 1 489 515 | 1 489 515 |
| Total | | 1 417 371 | - | - | 1 490 015 | 2 907 386 |
| Financial Liabilities | | | | | | |
| Payables | | - | - | - | 90 958 | 90 958 |
| Finance leases | 5.33% | - | 25 138 | - | - | 25 138 |
| Total | | - | 25 138 | - | 90 958 | 116 096 |
| Net Financial Assets /(Liabilities) | | 1 417 371 | (25 138) | - | 1 399 057 | 2 791 290 |

ACT AUDITOR-GENERAL'S OFFICE

Notes to the Financial Statements
for the Year Ended 30 June 2010

25. Financial Instruments (Continued)

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

As at 30 June 2009

| | Weighted Average Interest Rate | Floating Interest Rate | Fixed Interest Rate Maturing in One Year or Less | Fixed Interest Rate Maturing in One to Two years | Non- Interest Bearing | Total |
|---|---|------------------------------|--|---|-----------------------------|------------------|
| | % | \$ | \$ | \$ | \$ | \$ |
| Financial Assets | | | | | | |
| Cash and cash equivalents | 5.00% | 1 108 186 | - | - | 500 | 1 108 686 |
| Receivables | | - | - | - | 1 275 371 | 1 275 371 |
| Total | | 1 108 186 | - | - | 1 275 871 | 2 384 057 |
| Financial Liabilities | | | | | | |
| Payables | | - | - | - | 53 347 | 53 347 |
| Finance leases | 6.16% | - | 29 042 | 25 139 | - | 54 181 |
| Total | | - | 29 042 | 25 139 | 53 347 | 107 528 |
| Net Financial Assets/(Liabilities) | | 1 108 186 | (29 042) | (25 139) | 1 222 524 | 2 276 529 |

ACT AUDITOR-GENERAL'S OFFICE

**Notes to the Financial Statements
for the Year Ended 30 June 2010****26. Related Party Transactions**

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

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

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

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

The Director, Financial Audits is the brother of a Partner of WalterTurnbull. WalterTurnbull conducts financial audits under contract with the Audit Office from time to time. Any potential conflict of interest was addressed by the Director, Financial Audits not being involved in approving the selection of audit contractors.

The Audit Office paid \$46 917 (including GST) in 2009-10 to WalterTurnbull for the provision of financial audit services and \$31 534 (including GST) in 2008-09 for completing an internal audit of the Office's leave management and time recording system.

APPENDIX D STATEMENT OF PERFORMANCE

ACT AUDITOR-GENERAL'S OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2010

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2010 fairly reflects the operational performance of the Office for the year ended 30 June 2010.

Tu Pham
Auditor-General

31 August 2010

ACT AUDITOR-GENERAL'S OFFICE

**STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2010**

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the accompanying statement of performance for the ACT Auditor-General's Office for the year ended 30 June 2010 fairly reflects the operational performance of the Office for the year ended 30 June 2010.



Bernie Sheville
Chief Finance Officer

31 August 2010

REPORT OF FACTUAL FINDINGS

Di Bartolo Diamond & Mihailaros
An Australian Capital Territory Partnership



Chartered Accountants
& Business Advisers

REPORT OF FACTUAL FINDINGS ACT AUDITOR GENERAL'S OFFICE

To the Members of the ACT Legislative Assembly

Findings

Based on our procedures, no matters have come to our attention, which indicate the Statement of Performance of the ACT Auditor General's Office for the year ended 30 June 2010 does not fairly present the performance of the Department in accordance with the *Financial Management Act 1996*.

Responsibility for the Statement of Performance

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

The Auditor's Responsibility

In accordance with the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2005*, our responsibility is to provide a report of factual findings on the performance measures included in the ACT Auditor General's Office Statement of Performance.

Scope

We have reviewed the Statement of Performance of the ACT Auditor General's Office for the year ended 30 June 2010, in order to report on whether any matters have come to our attention that would indicate that the Statement of Performance is not fairly presented in accordance with the *Financial Management Act 1996*.

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

Independence

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

PKF Di Bartolo Diamond & Mihailaros



Ross Di Bartolo
Partner

Dated: 31 August 2010

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GPO Box 588 | Canberra City | ACT 2601

PARTNERS:
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George Diamond B.Ec. FCA
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ACT AUDITOR-GENERAL'S OFFICE

STATEMENT OF PERFORMANCE

YEAR ENDED 30 JUNE 2010

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

The Audit Office meets its objectives largely through auditing of the annual financial statements of the Territory, its departments and authorities and conducting performance audits and other reviews.

The performance measures provide information on the number and timeliness of reports and the quality and effectiveness of audit work.

| Performance Measures | Notes | Target 2009-10 | Result 2009-10 | Variance from Target |
|---|--------------|---------------------------|---------------------------|---------------------------------|
| Costs | | | | |
| Audit costs per hour excluding audit contractor costs | 1 | \$104 | \$127 | 21.1% |
| Quantity | | | | |
| Number of financial audit opinions issued | 2 | 75 | 74 | (1.3%) |
| Number of reports of factual findings issued on statements of performance | 3 | 27 | 28 | 3.7% |
| Number of performance audit reports presented to the Legislative Assembly | 4 | 8 | 6 | (25.0%) |
| Quality and Effectiveness | | | | |
| Percentage of agencies satisfied with financial audits | 5 | 95% | 100% | 5.3% |
| Percentage of agencies satisfied with performance audits | 6 | 95% | 88% | (7.4%) |

This statement of performance should be read in conjunction with the accompanying explanations.

The targets for each of the performance measures listed above are included in the Audit Office's 2009-10 Budget Submission to the Standing Committee on Public Accounts.

ACT AUDITOR-GENERAL'S OFFICE

STATEMENT OF PERFORMANCE

YEAR ENDED 30 JUNE 2010

| Performance Measures (Continued) | Notes | Target 2009-10 | Result 2009-10 | Variance from Target |
|--|-------|-------------------|-------------------|-------------------------|
| Quality and effectiveness (Continued) | | | | |
| Percentage of recommendations accepted in financial audits | 7 | 95% | 92%* | (3.2%) |
| Percentage of recommendations accepted in performance audits | 8 | 95% | 72%* | (24.2%) |
| Percentage of employees who are satisfied with working for the Audit Office | 9 | 85% | 90% | 5.9% |
| Timeliness | | | | |
| Percentage of financial audits completed within the required timetable | 10 | 100% | 93% | (7.0%) |
| Average period of completion of performance audits (months) | 11 | 7 months | 8.7 months | 24.7% |
| Presentation of the summary report on financial audits to the Legislative Assembly | 12 | December 2009 | December 2009 | - |

* In measuring a result for this performance measure, 'partial agreements', unclear responses, and 'noted' responses provided by agencies to audit recommendations have been excluded from the count of 'accepted' recommendations.

This statement of performance should be read in conjunction with the accompanying explanations.

The targets for each of the performance measures listed above are included in the Audit Office's 2009-10 Budget Submission to the Standing Committee on Public Accounts.

ACT AUDITOR-GENERAL'S OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2010**

1. Audit costs per hour excluding audit contractor costs

This performance measure relates to the Audit Office's internal costs and represents the total expenses of the Office less audit contractor costs, divided by the number of hours charged to audits by the Office's staff. This measure reflects the internal costs for both financial and performance audit functions.

The 2009-10 target cost (\$104) target was based on 2008-09 information and was calculated as the budgeted 2008-09 total expenses (\$5 262 007) less budgeted contractor costs (\$960 000) divided by the budgeted hours (41 343¹⁴).

The actual audit costs excluding audit contractor costs per hour (\$127) was calculated as the actual total expenses (\$5 361 913), less actual audit contractor costs (\$948 675), divided by the actual hours charged to audits for the year ended 30 June 2010 (34 740).

Audit costs per hour (\$127) exceeded the target cost (\$104) by \$23 due largely to the hours allocated to audits being 6 603 (16.0 percent) lower than expected.

During 2009-10, fewer hours were allocated to performance audits because performance auditors attended to the requirements of APES 320, including reviewing and improving documentation of the performance audit policies and practices and the Office's general administrative policies and procedures.

The absence of some key staff for extended periods due to illness, and the departure of three senior performance audit managers during the year also contributed to the reduction in the hours allocated to performance audits.

¹⁴ The budgeted hours (41 343) were estimated by taking 2008-09 actual hours (39 360) divided by the number of full-time equivalent staff in 2007-08 (32.56) and then multiplying it by the number of budgeted full-time equivalent staff in 2008-09 (34.2).

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

2. Number of financial audit opinions issued

This performance measure represents the number of audit opinions issued on financial statements during 2009-10.

The Audit Office issued 74 financial audit opinions in 2009-10; generally in line with the target of 75. During the year:

- five financial statements for the Lyons Joint Venture were not provided to the Office during the reporting period¹⁵ and two audits were no longer required¹⁶; and
- new financial audits included the new Department of Environment, Climate Change, Energy and Water and some Commonwealth funding acquittal audits¹⁷.

A complete listing of the financial audit opinions issued during 2009-10 is provided later in this statement of performance.

3. Number of reports of factual findings issued on statements of performance

This performance measure represents the number of reports of factual findings issued on statements of performance during 2009-10.

The Audit Office completed the review of one more statement of performance than the target due to the creation of the new Department of Environment, Climate Change, Energy and Water in November 2008.

A complete listing of the reports of factual findings issued during 2009-10 is provided later in this statement of performance.

¹⁵ The five audits relating to the Lyons Joint Venture were completed on 30 July 2010.

¹⁶ One expected acquittal audit of Commonwealth funding under the *Australian Land Transport Development Act 1988* was no longer required and ACTEW China Pty Limited was wound up.

¹⁷ Commonwealth funding acquittal audits related to the Building the Education Revolution Program, Heavy Vehicle Safety and Productivity Program and Albert Hall Refurbishment Project.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

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

This performance measure represents the number of performance audit reports presented in the Legislative Assembly during 2009-10.

The following audit reports were presented in the Legislative Assembly in 2009-10:

- (i) Administration of Employment Issues for staff of the Legislative Assembly (Report No. 5 of 2009).
- (ii) Government Office Accommodation (Report No. 6 of 2009).
- (iii) Performance Reporting (Report No. 1 of 2010).
- (iv) Student Support Services for Public High Schools (Report No. 2 of 2010).
- (v) Delivery of Budget Initiatives (Report No. 3 of 2010).
- (vi) Water Demand Management: Administration of Selected Initiatives (Report No. 4 of 2010).

The Audit Office tabled six reports compared to a target of 8 reports. The audit program fell behind schedule as performance auditors attended to the requirements of APES 320, including reviewing and improving performance audit policies and practices and the Office's general administrative policies and procedures. Delivery against the program was also adversely affected by the absence of some key staff for extended periods due to illness, and the departure of three senior performance audit managers. The loss of these key staff substantially reduced the Office's performance audit capacity during the year.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

5. Percentage of agencies satisfied with financial audits

The Audit Office conducted a survey of all agencies subjected to a financial audit to rate their satisfaction with financial audits completed during 2009-10.

This percentage is calculated as the number of agencies that provide a satisfactory or better rating divided by the number of agencies responded. Survey responses were returned by 81 percent of the 52 agencies surveyed.

The results of the survey are shown below.

| Rating | No. of Responses | % |
|------------------|------------------|------------|
| Very good | 14 | 33 |
| Good | 25 | 60 |
| Satisfactory | 3 | 7 |
| Sub-total | 42 | 100 |
| Poor | - | - |
| Very poor | - | - |
| Sub-total | - | - |
| Total | 42 | 100 |

Source: Agency satisfaction surveys.

5. Percentage of agencies satisfied with financial audits

The percentage of agencies satisfied with financial audits (100 percent) exceeded the target (95 percent), with 93 percent rating the Audit Office's performance as 'good' or 'very good'.

Detailed comments provided by agencies were largely positive. A few agencies advised that communication between the audit team and the agency could be improved, particularly during the audit process and when drafting audit findings.

Such feedback is carefully considered by the Audit Office and discussed with the agency with a view to continuing to improve audit methods and practices.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

6. Percentage of agencies satisfied with performance audits

The Audit Office conducted a survey of all agencies subjected to a performance audit to rate their satisfaction with performance audits completed during 2009-10.

This percentage is calculated as the number of agencies that provide a satisfactory or better rating divided by the number responded. Ninety percent of agencies responded to the survey.

The results of these surveys are shown below.

| Rating | No. of Responses | % |
|------------------|------------------|------------|
| Very good | 4 | 22 |
| Good | 9 | 50 |
| Satisfactory | 3 | 16 |
| Sub-total | 16 | 88 |
| Poor | 1 | 6 |
| Very poor | 1 | 6 |
| Sub-total | 2 | 12 |
| Total | 18 | 100 |
| | | |

Source: Agency satisfaction surveys.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010**6. Percentage of agencies satisfied with performance audits (continued).**

The percentage of agencies satisfied with performance audits (88 percent) was lower than the target (95 percent), with 72 percent having rated the Office's performance as 'good' or 'very good'.

The survey results continue to indicate that the work of the Audit Office is valued by agencies, and conducted professionally. However, two Chief Executives provided responses advising they were not satisfied with the Office's work on the relevant performance audits.

The Chief Executive of the Department of the Environment, Climate Change, Energy and Water provided an overall assessment of 'poor' in relation to the audit of *Water Demand Management: Administration of Selected Initiatives*. The Chief Executive commented that the audit did not add value to the Department and that the auditors did not demonstrate an adequate understanding of its operations and operating environment. The Chief Executive was also concerned that insufficient opportunity was provided to comment on the findings and issues before finalisation of the report.

The Chief Executive of the Department of Education and Training provided an overall assessment of 'very poor' in relation to the audit of *Student Support Services for Public High Schools*. The Chief Executive expressed the view that the audit did not add value to the Department and was also dissatisfied with the delay in communicating audit findings following completion of audit field work.

The Audit Office responded to the comments or concerns raised by audited agencies and, where possible, will further improve communication with agencies on audit methods, practices and findings.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

7. Percentage of recommendations accepted in financial audits

This percentage is calculated as the number of recommendations accepted by agencies in audit management reports issued during the reporting period, divided by the number of recommendations made in these reports.

In measuring a result for this performance measure, 'partial agreements', unclear responses, and 'noted' responses provided by agencies to audit recommendations have been excluded from the count of 'accepted' recommendations.

Auditees accepted 416 (92 percent) of the 452 recommendations made in 2009-10. This acceptance rate is slightly below the target rate (95 percent).

8. Percentage of recommendations accepted in performance audits

This percentage is calculated as the number of recommendations accepted by agencies in performance audit reports issued during the reporting period, divided by the number of recommendations made in these reports.

In measuring a result for this performance measure, 'partial agreements', unclear responses, and 'noted' responses provided by agencies to audit recommendations have been excluded from the count of 'accepted' recommendations.

Agencies accepted 39 (72 percent) of the 54 recommendations made in 2009-10.

The result is lower than the target of 95 percent and is due to the number of recommendations that were agreed 'in part' by the agencies (20 percent of the 54 recommendations) or 'in principle' (7 percent of the 54 recommendations).

There were no recommendations that were 'not agreed' to by agencies.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

9. Percentage of employees who are satisfied with working for the Audit Office

A staff survey is conducted annually to measure staff satisfaction with working for the Audit Office. Survey questions cover important aspects of the Office, including its leadership, management, working conditions, learning and development, teamwork and communication.

This percentage is calculated as the number of employees who provide an 'agree' or 'strongly agree' rating to the survey question '**overall, I am satisfied with my job**' divided by the number of staff responses to the survey.

| Rating | No. of Responses | % |
|---------------------------|------------------|------------|
| Strongly agree | 7 | 23 |
| Agree | 20 | 67 |
| Sub-total | 27 | 90 |
| Neither agree or disagree | 1 | 3 |
| Disagree | 2 | 7 |
| Strongly disagree | - | - |
| Sub-total | 3 | 10 |
| Total | 30 | 100 |

Source: Annual staff survey.

The annual staff survey is conducted anonymously. Nearly all staff (30 or 91 percent) submitted a response to the survey.

The percentage of staff satisfied with working for the Audit Office (90 percent) was slightly higher than the target (85 percent).

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

10. Percentage of financial audits completed within the required timetable

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

The 'required timetable' refers to the timetable agreed between the Audit Office and Treasury to meet legislative requirements, or, where there is no legislative timeframe, the timeframe agreed between the Office and the agency.

The Audit Office completed 69 (93 percent) of the 74 financial audits within the required timetable.

The five financial audits that were not completed within the required timetable were Community Housing Canberra Limited, University of Canberra, Forde Joint Venture (December), Crace Joint Venture (December) and the Albert Hall Refurbishment Project.

The Audit Office did not complete these financial audits within the required timetable because the financial statements were not provided to the Office within the agreed timeframe.

11. Average period of completion of performance audits (months)

This performance measure refers to performance audits completed and reported to the Legislative Assembly during the reporting period.

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

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

The target for average period of completion of performance audits was not met as delivery of the audit program was adversely affected by the absence of some key staff for extended periods due to illness and the departure of three senior performance audit managers. The loss of these staff substantially reduced the Office's performance audit capacity and delayed the completion of audits.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

12. Presentation of the summary report of financial audits to the Legislative Assembly

One report summarising the results of the financial audit program is scheduled to be tabled in the Legislative Assembly in December each year.

The target was achieved as the report was tabled in the Legislative Assembly on 18 December 2009.

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

FINANCIAL AUDITS COMPLETED IN 2009-10

This table represents the financial audits that were completed during the period from 1 July 2009 to 30 June 2010. This list includes audits for the years ending 30 June 2009 and 31 December 2009.

| | | Audit Opinion on the Financial Report | Report of Factual Findings on the Statement of Performance |
|----|--|--|---|
| | Territory financial report | | |
| 1 | Consolidated Annual Financial Report | Unqualified | Not applicable |
| | | | |
| | Departments | | |
| 2 | Territory Banking Account | Unqualified | Unqualified |
| 3 | Chief Minister's Department | Unqualified | Unqualified |
| 4 | Department of Disability, Housing and Community Services | Unqualified | Unqualified |
| 5 | Department of Education and Training | Unqualified | Unqualified |
| 6 | ACT Executive | Unqualified | Not applicable |
| 7 | ACT Health | Unqualified | Unqualified |
| 8 | Home Loan Portfolio | Unqualified | Unqualified |
| 9 | Housing ACT | Unqualified | Unqualified |
| 10 | Shared Services Centre | Unqualified | Unqualified |
| 11 | Department of Justice and Community Safety | Unqualified | Unqualified |
| 12 | Legislative Assembly Secretariat | Unqualified | Not applicable |
| 13 | ACT Planning and Land Authority | Unqualified | Unqualified |
| 14 | Superannuation Provision Account | Unqualified | Unqualified |
| 15 | Department of Treasury | Unqualified | Unqualified |
| 16 | Department of Territory and Municipal Services | Unqualified | Unqualified |
| 17 | Department of Environment, Climate Change, Energy and Water | Unqualified | Unqualified |
| 18 | ACTION | Unqualified | Unqualified |
| | | | |
| | Authorities | | |
| 19 | ACT Building and Construction Industry Training Fund Authority | Unqualified | Unqualified |
| 20 | Canberra Institute of Technology | Unqualified | Unqualified |
| 21 | Canberra Public Cemeteries Authority | Unqualified | Unqualified |
| 22 | ACT Cleaning Industry Long Service Leave Authority | Unqualified | Unqualified |
| 23 | ACT Construction Industry Long Service Leave Authority | Unqualified | Unqualified |
| 24 | Cultural Facilities Corporation | Unqualified | Unqualified |
| 25 | Gambling and Racing Commission | Unqualified | Unqualified |
| 26 | Independent Competition and Regulatory Commission | Unqualified | Unqualified |
| 27 | ACT Insurance Authority | Unqualified | Unqualified |
| 28 | Land Development Agency | Unqualified | Unqualified |

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

FINANCIAL AUDITS COMPLETED IN 2009-10 (CONTINUED)

| | | Audit Opinion on the Financial Report | Report of Factual Findings on the Statement of Performance |
|----|--|--|---|
| | Authorities (continued) | | |
| 29 | Legal Aid Commission | Unqualified | Unqualified |
| 30 | Public Trustee for the ACT – Office Account | Unqualified | Unqualified |
| 31 | Exhibition Park Corporation | Unqualified | Unqualified |
| 32 | University of Canberra | Unqualified | Not applicable |
| | | | |
| | Territory-owned corporations and other companies | | |
| 33 | ACTEW Corporation Limited | Unqualified | Not applicable |
| 34 | ACTEW Distribution Limited | Unqualified | Not applicable |
| 35 | ACTEW Retail Limited | Unqualified | Not applicable |
| 36 | ACTTAB Limited | Unqualified | Not applicable |
| 37 | CIT Solutions Pty Limited | Unqualified | Not applicable |
| 38 | Community Housing Canberra Limited | Unqualified | Not applicable |
| 39 | ECOWISE Environmental Pty Limited | Unqualified | Not applicable |
| 40 | Rhodium Asset Solutions Limited | Unqualified | Not applicable |
| 41 | Totalcare Industries Limited | Unqualified | Not applicable |
| 42 | University of Canberra College Pty Limited | Unqualified | Not applicable |
| 43 | UCU Ltd | Unqualified | Not applicable |
| | | | |
| | Joint ventures and partnerships | | |
| 44 | ActewAGL Summary Financial Report | Unqualified | Not applicable |
| 45 | ActewAGL Joint Venture Special Purpose Financial Report | Unqualified | Not applicable |
| 46 | ActewAGL Distribution Partnership | Unqualified | Not applicable |
| 47 | ActewAGL Retail Partnership | Unqualified | Not applicable |
| 48 | Forde Joint Venture 30 June 2009 | Unqualified | Not applicable |
| 49 | Forde Joint Venture 31 December 2009 | Unqualified | Not applicable |
| 50 | Crace Joint Venture 30 June 2009 | Unqualified | Not applicable |
| 51 | Crace Joint Venture 31 December 2009 | Unqualified | Not applicable |
| 52 | Woden East Joint Venture | Unqualified | Not applicable |
| 53 | Kingston Stage 1A Joint Venture | Unqualified | Not applicable |
| | | | |
| | Other audits | | |
| 54 | Canberra Business Development Fund | Unqualified | Not applicable |
| 55 | Capital Region Community Foundation Open Fund | Unqualified | Not applicable |
| 56 | Capital Region Community Foundation Gift Fund | Unqualified | Not applicable |
| 57 | Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> – Expenditure Statement | Unqualified | Not applicable |

ACT AUDITOR-GENERAL'S OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2010

FINANCIAL AUDITS COMPLETED IN 2009-10 (CONTINUED)

| | | Audit Opinion on the Financial Report | Report of Factual Findings on the Statement of Performance |
|----|--|--|---|
| | Other audits (continued) | | |
| 58 | Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> – Revenue Statement | Unqualified | Not applicable |
| 59 | Commonwealth Funding under the <i>Auslink National Land Transport Act 2005</i> – Black Spot Projects | Unqualified | Not applicable |
| 60 | Commonwealth Funding under the <i>Auslink National Land Transport Act 2005</i> – National Projects | Unqualified | Not applicable |
| 61 | Commonwealth Funding under the <i>Auslink National Land Transport Act 2005</i> – Roads to Recovery Supplementary Funding | Unqualified | Not applicable |
| 62 | Heavy Vehicle Safety and Productivity Program | Unqualified | Not applicable |
| 63 | Albert Hall Refurbishment Project | Unqualified | Not applicable |
| 64 | Default Insurance Fund | Unqualified | Not applicable |
| 65 | Nominal Defendant | Unqualified | Not applicable |
| 66 | University of Canberra Research Income Return | Unqualified | Not applicable |
| 67 | Gungahlin Cemetery Perpetual Care Trust | Unqualified | Not applicable |
| 68 | Hall Cemetery Perpetual Care Trust | Unqualified | Not applicable |
| 69 | Woden Cemetery Perpetual Care Trust | Unqualified | Not applicable |
| 70 | Nicholls Primary School Joint Facilities | Unqualified | Not applicable |
| 71 | Public Trustee for the ACT – Trust Account | Unqualified | Not applicable |
| 72 | Legal Aid Commission – Annual Revenue and Expenditure Statement Acquittal | Unqualified | Not applicable |
| 73 | Final Certification for NSW Thoroughbred Race Field Information Use | Unqualified | Not applicable |
| 74 | Building the Education Revolution Program | Unqualified | Not applicable |

APPENDIX E TRIPLE BOTTOM LINE REPORTING

ECOLOGICALLY SUSTAINABLE DEVELOPMENT INDICATORS

| | INDICATOR | 2009-10 Result | 2008-09 Result | % Change |
|----------------------|---|---|---|--|
| ECONOMIC | Employee Expenses <ul style="list-style-type: none"> ▪ Number of staff employed (head count, not FTE) ▪ Total employee expenditure (dollars) | <ul style="list-style-type: none"> ▪ 37 ▪ \$3,655,250 | <ul style="list-style-type: none"> ▪ 33 ▪ \$3,553,866 | <ul style="list-style-type: none"> ▪ 12% ▪ 2.85% |
| | Operating Statement <ul style="list-style-type: none"> ▪ Total expenditure (dollars) ▪ Total own source revenue (dollars) ▪ Total net cost of services (dollars) | <ul style="list-style-type: none"> ▪ \$5,361,913 ▪ \$3,427,806 ▪ \$1,934,107 | <ul style="list-style-type: none"> ▪ \$5,449,602 ▪ \$3,306,623 ▪ \$2,142,979 | <ul style="list-style-type: none"> ▪ -1.6% ▪ 3.66% ▪ -9.75% |
| | Economic Viability <ul style="list-style-type: none"> ▪ Total assets (dollars) ▪ Total liabilities (dollars) | <ul style="list-style-type: none"> ▪ \$3,355,258 ▪ \$1,534,943 | <ul style="list-style-type: none"> ▪ \$2,918,787 ▪ \$1,281,010 | <ul style="list-style-type: none"> ▪ 14.95% ▪ 19.8% |
| ENVIRONMENTAL | Transport <ul style="list-style-type: none"> ▪ Total number of fleet vehicles ▪ Total transport fuel used (kilolitres) ▪ Total direct greenhouse emissions) of the fleet (tonnes of CO₂e) | <ul style="list-style-type: none"> ▪ 1 ▪ 36 266 ▪ 8.5 | <ul style="list-style-type: none"> ▪ 2 ▪ 48 542 ▪ 10.5 | <ul style="list-style-type: none"> ▪ -50% ▪ -25.3% ▪ -19% |
| | Energy Use <ul style="list-style-type: none"> ▪ Total office energy use (megajoules) ▪ Office energy use per person (megajoules) ▪ Office energy use per m² (megajoules) | Data not available Data not available Data not available | Data not available Data not available Data not available | |
| | Greenhouse Emissions <ul style="list-style-type: none"> ▪ Total office greenhouse emissions - direct and indirect (tonnes of CO₂e) ▪ Total office greenhouse emissions per person (tonnes of CO₂e) ▪ Total office greenhouse emissions per m² (tonnes of CO₂e) | Data not available Data not available Data not available | Data not available Data not available Data not available | |
| | Water Consumption <ul style="list-style-type: none"> ▪ Total water use (kilolitres) ▪ Office water use per person (kilolitres) ▪ Office water use per m² (kilolitres) | Data not available Data not available Data not available | Data not available Data not available Data not available | |
| | Resource Efficiency and Waste <ul style="list-style-type: none"> ▪ Total co-mingled office waste per FTE (litres) ▪ Total paper recycled (litres) ▪ Total paper used (by reams) per FTE (litres) ▪ Percentage of paper recycled (%) | Data not available 15 360 12.46 Data not available | Data not available 14 640 12.58 Data not available | <ul style="list-style-type: none"> ▪ 4.9% ▪ -0.95% |

Triple bottom line reporting

| | INDICATOR | 2009-10 Result | 2008-09 Result | % Change |
|--------|--|--|--|---|
| SOCIAL | <p>The Diversity of Our Workforce</p> <ul style="list-style-type: none"> ▪ Women (Female FTEs as a percentage of the total workforce) ▪ People with a disability (as a percentage of the total workforce) ▪ Aboriginal and Torres Strait Islander people (as a percentage of the total workforce) ▪ Staff with English as a second language (as a percentage of the total workforce) | <ul style="list-style-type: none"> ▪ 37.8% ▪ 3% ▪ 0% ▪ 24% | <ul style="list-style-type: none"> ▪ 36.4% ▪ 3% ▪ 0% ▪ 24.2% | <ul style="list-style-type: none"> ▪ 3.85% ▪ 0% ▪ 0% ▪ 0% |
| | <p>Staff Health and Wellbeing</p> <ul style="list-style-type: none"> ▪ OH&S Incident Reports ▪ Accepted claims for compensation (as at 31 August 2010) ▪ Staff receiving influenza vaccinations ▪ Workstation assessments requested | <ul style="list-style-type: none"> ▪ One ▪ 22 ▪ Nil | <ul style="list-style-type: none"> ▪ Nil ▪ 23 | |

APPENDIX F AUDIT OFFICE REPORTS

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

Reports Published in 2009-10

| | |
|---------------------|--|
| Report No. 4 / 2010 | Water Demand Management: Administration of Selected Initiatives |
| Report No. 3 / 2010 | Delivery of Budget Initiatives |
| Report No. 2 / 2010 | Student Support Services for Public High Schools |
| Report No. 1 / 2010 | Performance Reporting |
| Report No. 8 / 2009 | 2008-09 Financial Audits |
| Report No. 7 / 2009 | Annual Report 2008-09 |
| Report No. 6 / 2009 | Government Office Accommodation |
| Report No. 5 / 2009 | Administration of employment issues for staff of Members of the ACT Legislative Assembly |

Reports Published in 2008-09

| | |
|---------------------|---|
| Report No. 4 / 2009 | Delivery of Ambulance Services to the ACT Community |
| Report No. 3 / 2009 | Management of Respite Care Services |
| Report No. 2 / 2009 | Follow-up Audit: Implementation of Audit Recommendations on Road Safety |
| Report No. 1 / 2009 | Road Projects: Fairbairn Avenue Upgrade and Horse Park Drive |
| Report No. 8 / 2008 | 2007-08 Financial Audits |
| Report No. 7 / 2008 | Proposal for a Gas-Fired Power Station and Data Centre – Site Selection Process |
| Report No. 6 / 2008 | Annual Report 2007-08 |
| Report No. 5 / 2008 | Administration of the <i>Freedom of Information Act 1989</i> |
| Report No. 4 / 2008 | Maintenance of Public Housing |

Reports Published in 2007-08

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

Reports Published in 2006-07

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

Details of reports published prior to 2006-07 can be obtained from the ACT Auditor-General's Office or the ACT Auditor-General's homepage: <http://www.audit.act.gov.au>

APPENDIX G CONTACT INFORMATION

Copies of reports issued by the ACT Auditor-General's Office are available from:

**ACT Auditor-General's Office
Level 4, 11 Moore Street,
CANBERRA CITY ACT 2601**

General enquiries Phone: (02) 6207 0833

Fax: (02) 6207 0826

Key contact personnel

Tu Pham Auditor-General (02) 6207 0833

Bernie Sheville Director
Financial Audits (02) 6207 0821

Rod Nicholas Director
Performance Audits and Corporate Services (02) 6207 0827

Maria Costanzo Manager
Corporate Services (02) 6207 0825

Other contact details

Postal address: PO Box 275, CIVIC SQUARE ACT 2608

Email: actauditorgeneral@act.gov.au

Website: www.audit.act.gov.au

Business hours: 9:00am to 5:00pm Monday to Friday

APPENDIX H COMPLIANCE INDEX FOR THE 2009-10 REPORT

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

Note 2: Due to the nature of the audit work, the Office does not provide services to the ACT community that meet the specific Government objectives under the Strategic Bushfire Management Plan.

AVAILABILITY OF REPORTS

Copies of reports issued by the ACT Auditor-General's Office are available from:
ACT Auditor-General's Office
Level 4, 11 Moore Street
Canberra City ACT 2601

or

PO Box 275
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of reports are also available from the
ACT Auditor-General's Office Homepage: <http://www.audit.act.gov.au>

