

ACT AUDITOR–GENERAL’S REPORT

ANNUAL REPORT 2018-19

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ACT Audit Office

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

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

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

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

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

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LIST OF ABBREVIATIONS AND GLOSSARY

ACAG	Australasian Council of Auditors-General
ACPAC	Australasian Council of Public Accounts Committees
A-G Act	<i>Auditor-General Act 1996</i>
ACTPS	ACT Public Service
Arin	Attraction and Retention Incentive
ASE	Agency Security Executive
ASPIRE	Auditing Systems by Planning, Implementation, Reporting and Evaluation
Audit Office	ACT Audit Office
Auditees	ACT Government agencies and other entities subject to audit by the Auditor-General
CO ₂ -e	Carbon dioxide equivalent
CA ANZ	Chartered Accountants Australia and New Zealand
CPA	CPA Australia
CPSU	Community and Public Sector Union
ESD	Ecologically sustainable development
ESP	Enterprise sustainability platform
FTE	Full-time equivalent(s)
FoI	Freedom of information
FOI Act	<i>Freedom of Information Act 1989</i>
FOI Act 2016	<i>Freedom of Information Act 2016</i>
Kwh	Kilowatt-hour
ACT Legislative Assembly	Legislative Assembly for the ACT
MLAs	Members of the ACT Legislative Assembly
PAC	Standing Committee on Public Accounts
PAMPPr	Performance Audit Methods and Practices
PID	Public interest disclosure
PID Act	<i>Public Interest Disclosure Act 2012</i>
PASAI	Pacific Association of Supreme Audit Institutions
SERBIR	Senior Executive Responsible for Business Integrity Risk
Strategic Plan	<i>Strategic Plan 2018-2021</i> of the ACT Audit Office
WFP	Workforce planning
2016 Strategic Review	2016 Strategic Review of the ACT Auditor-General

A TRANSMITTAL CERTIFICATE



AUDITOR-GENERAL AN OFFICER
OF THE ACT LEGISLATIVE ASSEMBLY 

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

Dear Madam Speaker

I have pleasure in submitting the 2018-19 Annual Report of the ACT Audit Office (Audit Office). The Annual Report has been prepared to fulfil the requirements of section 7A of *the Annual Reports (Government Agencies) Act 2004*. While paragraph 8(2)(b) of the Act advises that an annual report direction does not apply to Officers of the ACT Legislative Assembly, this report has been prepared to respect the directions outlined in the *Annual Reports (Government Agencies) Directions 2019*.

I certify that the information in the attached 2018-19 Annual Report, and information for whole of government reporting, is an honest and accurate account of the management of the Audit Office and that all material information on the operations of the Audit Office has been included for the period from 1 July 2018 to 30 June 2019.

I also hereby certify that fraud prevention in 2018-19 was managed in accordance with *Public Sector Management Standards 2006 (repealed)*, Part 2.3 (see section 113, *Public Sector Management Standards 2016*).

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

Yours sincerely

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

Michael Harris
Auditor-General
8 October 2019

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B ORGANISATIONAL OVERVIEW AND PERFORMANCE

B.1 Organisational overview

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

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

Additionally, the Auditor-General receives representations (and public interest disclosures under the *Public Interest Disclosure Act 2012* (PID Act)), with some issues raised being examined through performance audits.

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

B.1.1 Vision, role and values

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

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

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

B.1.1.1 Values

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

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

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

B.1.1.2 Independence

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

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

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

B.1.1.3 Integrity

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

The integrity of the Audit Office as a whole is examined through the strategic reviews that occur once in each term of the ACT Legislative Assembly, as required under the A-G Act. The last strategic review occurred in 2016 and the next is due for completion in early 2020.

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

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

The Audit Office conducts quality assurance reviews of its financial and performance audit work every year in accordance with its *Quality Control and Assurance Policy*. Recommended improvements relating to performance audits and financial audits are discussed under Section B.2.9 'Monitoring and improving the quality of performance audit work' and Section B.2.19 'Improving the quality of financial audit work'.

B.1.1.4 Professionalism

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

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

The Auditor-General is a member of the Australasian Council of Auditors-General (ACAG), which is a forum for all Auditors-General in Australia and some

from the Pacific region, to share information. It fosters performance improvement through supporting targeted projects, such as mutual quality assurance reviews and benchmarking. There are ACAG sub-committees which focus on financial audits; performance audits; financial reporting and accounting; and quality assurance and auditing. Sub-committees provide opportunities for executives and senior audit staff to share information and work together on key issues relevant to audit offices. From June 2017 to August 2018, the former Auditor-General, Dr Maxine Cooper, chaired the ACAG Auditing Standards sub-committee.

B.1.1.5 Respect

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

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

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

Another way in which the Audit Office shows respect for the community is in the development of the annual performance audit program. Information received from representations, public interest disclosures under the *Public Interest Disclosure Act 2012*, key community groups, the Standing Committee on Public Accounts (PAC), MLAs, the Head of Service and ACT Government directorates and other entities is considered.

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

Two information seminars were conducted by the Audit Office for auditees in 2018-19; one on financial audits on 28 March 2019 and another on performance audits on 1 August 2018; both were positively received. Additionally, briefings are provided to auditees when requested.

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

As reported in Note 10 of the Statement of Performance in Section C.6 'Statement of performance', the overall results of the 2019 staff survey were mostly favourable with 81 percent of staff advising that 'Overall, I am satisfied with my job'. This is below the target (85 percent) and above the 2018 result (75 percent).

B.1.1.6 Learning and innovation

As discussed in Section B.11.6 'Learning and development', the Audit Office continued to give a high priority to improving staff capabilities. Under the Office's learning and development program, staff are provided with training covering diverse topics including how to meet auditing standards; using computer information technology; and ways to improve their communication skills. The Audit Office continued to support staff studying for tertiary and professional qualifications.

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

B.1.2 Organisation

The Audit Office consists of the following operational areas:

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

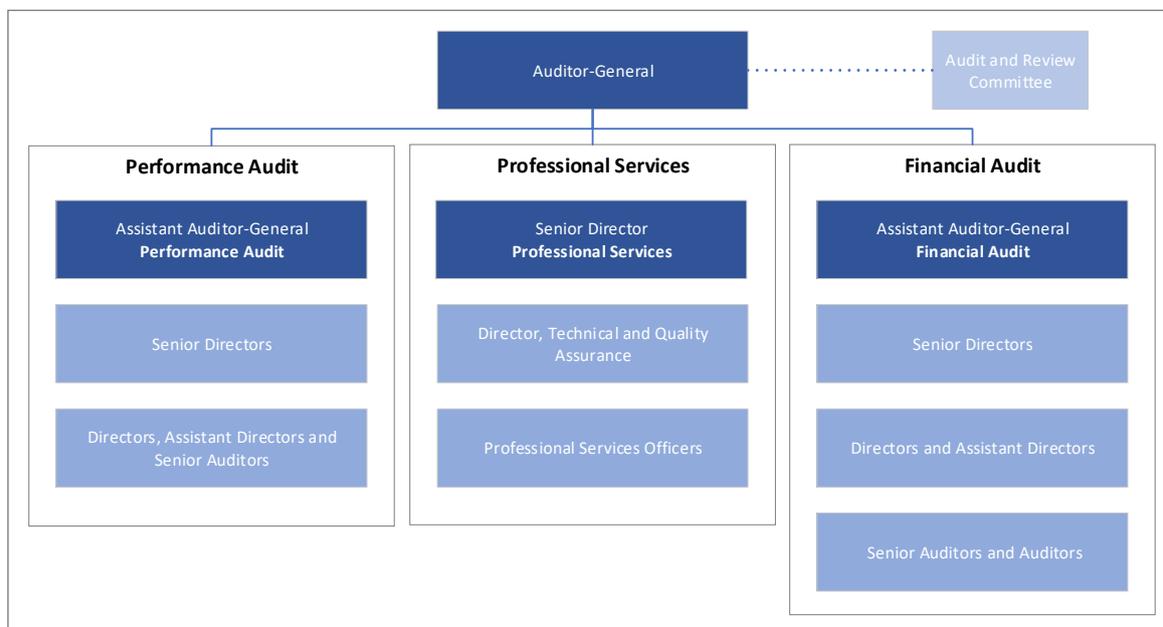
Figure B.1 shows the organisational structure of the Audit Office as at 30 June 2019.

The Audit Office's Senior Executives in 2018-19 were:

- Mr Michael Harris, Auditor-General (from 8 February 2019);
- Dr Maxine Cooper, Auditor-General (to 7 August 2018);
- Mr Ajay Sharma, Assistant Auditor-General, Financial Audit and Chief Finance Officer (Mr Sharma was acting Auditor-General for the period from 8 August 2018 to 7 February 2019); and
- Mr Brett Stanton, Assistant Auditor-General, Performance Audit.

Further information on these, and other key management personnel, is provided in Section B.1.4.1 ‘Executive Committee’; and in Note 10: ‘Related Parties’ in Section C.2 ‘Financial statements’.

Figure B.1: Organisational structure



B.1.3 Performance and outlook

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

Notwithstanding the changes in appointment to the role of Auditor-General in 2018-19, the Office delivered the required financial audits and performance audits. The Office delivered 58 financial audit reports and 26 reports of factual findings and tabled seven performance audits in 2018-19.

As part of the 2018-19 budget process, the Office was allocated additional funding for performance audits. The number of performance audits will increase from seven in 2018-19 to eight in 2019-20 and nine in 2020-21 onwards. The delivery of an increasing number of performance audits represents an opportunity to more effectively fulfil the role and mandate of the Audit Office to:

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

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

B.1.4 Internal accountability

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

B.1.4.1 Executive Committee

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

The Executive Committee comprised the Auditor-General; Assistant Auditor-General, Performance Audit; Assistant Auditor-General, Financial Audit and Chief Finance Officer; and Senior Director, Professional Services and Chief Internal Audit Executive for the period from 1 July 2018 to 30 June 2019.

The Executive Committee is supported by the Executive Officer.

Executive Committee members at 30 June 2019 were the:

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

The Audit Office’s organisational structure is shown in Figure B.1.

B.1.4.2 Internal committees, management and staff groups

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

Table B-1: Internal committees

Committee name and meeting frequency	Committee purpose	Committee membership in 2018-19
<p>Executive Committee Generally meets fortnightly</p>	<p>The Executive Committee is the senior group responsible for the governance and management of the Audit Office. The Committee considers strategic and operational matters, monitors the Audit Office’s performance and determines the strategic and operational priorities for the Office.</p>	<p>Chaired by Auditor-General Assistant Auditor-General, Financial Audit and Chief Finance Officer Assistant Auditor-General, Performance Audit and Agency Security Executive Senior Director, Professional Services and Chief Internal Audit Executive Executive Officer provides secretariat services</p>
<p>Audit and Review Committee Five meetings per year</p>	<p>The Committee provides assurance to the Auditor-General that the Audit Office’s governance, internal audit and risk management arrangements are adequate. The Committee considers the Audit Office’s financial statements and statement of performance and monitors the implementation of relevant recommendations from internal audit reports, reports from the Risk Manager, the Audit Office’s performance audit reports and Assembly Committees’ reports.</p>	<p>Two independent external members, one of which is the Chair of the Committee One senior audit staff member from Financial Audit The Auditor-General and the Chief Internal Audit Executive (Senior Director, Professional Services) have standing invitations to attend the meeting as observers The Finance Officer provides secretariat services</p>
<p>Agency Security Committee Generally meets fortnightly</p>	<p>The Committee monitors key protective security risks and provides oversight of the Audit Office’s protective security practices. The Committee is a sub-committee of the Executive Committee. The Committee considers reports from the Risk Manager and Security Adviser.</p>	<p>Chaired by the Agency Security Executive (Assistant Auditor-General, Performance Audit) Executive Committee Risk Manager and Security Adviser</p>
<p>Quality Assurance and Review Committee Generally meets fortnightly</p>	<p>The Committee discusses quality assurance matters and monitors changes to auditing standards. The Committee is a sub-committee of the Executive Committee.</p>	<p>Chaired by Senior Director, Professional Services and Chief Internal Audit Executive Auditor-General Assistant Auditor-General, Financial Audit and Chief Finance Officer</p>

Committee name and meeting frequency	Committee purpose	Committee membership in 2018-19
		Assistant Auditor-General, Performance Audit and Agency Security Executive Executive Officer provides secretariat services
Office Consultative Committee Meets at least four times annually or more frequently as required	The Committee is a formal forum for liaison between the Office Executive and staff for effective consultation and staff participation in decisions that affect employment; these include changes to organisational policies and work practices. Through it, staff have input to such policies and practices.	Three staff representatives One representative from the Executive Committee One representative from the Community and Public Sector Union (CPSU)
Social Committee Meets as required	The purpose of the Social Committee is to help create a sense of community, harmony, familiarity and friendship amongst all staff of the Office and help maintain a positive, inclusive and supportive workplace atmosphere. The Social Committee does this by organising social and recreational events for the enjoyment of staff members. This may include an end of year celebration, multicultural days and other ad hoc events throughout the year.	Three ACT Audit Office staff members including a Chair

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

Table B-2: Management and staff groups

Group name and meeting frequency	Purpose	Participants
Financial Audit Management meeting Generally meets fortnightly or as required	Considers strategic and operational matters relating to financial audit activities.	Chaired by Assistant Auditor-General, Financial Audit Senior Director, Financial Audit Director, Financial Audit
Financial Audit forum Generally meets monthly	Considers operational and technical issues affecting financial audit activities.	Chaired by various financial audit staff Financial audit staff
Performance Audit team meeting Generally meets monthly	Considers operational issues affecting the performance audit function.	Chaired by Assistant Auditor-General, Performance Audit Performance audit staff
Professional Services team meeting Generally meets monthly	Considers strategic and operational issues affecting the professional services function.	Chaired by Senior Director, Professional Services Professional Services staff

Group name and meeting frequency	Purpose	Participants
Staff meetings Generally monthly	A forum in which to share information and discuss Audit Office issues with all staff.	Chaired by a staff member All staff

B.1.5 Key internal accountability mechanisms

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

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

The Audit Office has internal review processes that provide assurance that financial and performance audits are performed in accordance with the relevant auditing standards and better practices. The review processes for performance and financial audits are discussed under Section B.2.9 'Monitoring and improving the quality of performance audit work' and Section B.2.19 'Improving the quality of financial audit work'.

B.1.6 Strategic and organisational planning

The Audit Office's future corporate direction, planned outcomes and objectives are set out in the *Strategic Plan 2019-2022* (Strategic Plan). The Strategic Plan provides a means of ensuring that management and staff share a common view about the Audit Office's objectives and areas of responsibility. It is supported by individual action plans for financial audit, performance audit and professional services activities. These plans identify and assign responsibility for specific tasks and timeframes for completion and are monitored regularly by the Executive Committee.

The Strategic Plan is reviewed and updated annually at the Audit Office's planning day. A staff planning day (*Our office culture*) was held on 28 November 2018. The planning day provided an opportunity for staff to participate in identifying and committing to priorities for the Audit Office in the coming years.

B.1.7 Executive remuneration

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

Information on the remuneration of executives in the Audit Office is provided in Note 10: 'Related Parties' in Section C.2 'Financial statements'.

Further information can be obtained from:

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

B.2.1 Audit Office's objectives

The Audit Office's strategic direction is based on the A-G Act and is set out in its *Strategic Plan 2019-2022* (Strategic Plan).

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

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

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

B.2.2 Financial results of the ACT Audit Office

In 2018-19, income (\$7.040 million) largely consisted of financial audit fees (\$4.036 million) and appropriation (\$2.927 million); expenses (\$7.076 million) largely comprised of employee expenses (\$4.834 million) and supplies and services costs (\$2.190 million).

The Audit Office made an *operating deficit* of \$36 000 in 2018-19 compared to the budgeted operating surplus of \$44 000.

The Audit Office estimates small operating results which are essentially break-even results in the future years to 2022-23.

The Audit Office has sufficient accumulated surpluses to meet the estimated operating deficits incurred in 2018-19 and that are forecast in 2019-20 and 2022-23.

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

B.2.3 Performance audits

Performance audits seek to provide the ACT Legislative Assembly with an independent assessment of the quality of the management of public resources and identify and promote better practices.

The Audit Office's performance audit reports identify areas where public services could be improved; they usually include recommendations that address identified issues.

The Audit Office has robust planning, consultation and topic selection processes for the annual performance audit program. The consultation involves key community groups, the PAC, MLAs, the Head of Service and ACT Government directorates and other entities who may become auditees.

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

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

B.2.4 Meeting targets

Table B-3: Accountability indicators for performance audits

Accountability indicators	2017-18 Actual	2018-19 Actual	2018-19 Target
Number of performance audit reports presented to the ACT Legislative Assembly	8	7	7
Average period of completion of performance audits	7.6 months	7.3 months	7.0 months
Percentage of agencies satisfied with performance audits	96%	100%	95%
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	80%	100%	80%

B.2.5 Performance audits tabled in 2018-19

The targeted number of seven performance audit reports were tabled in the ACT Legislative Assembly in 2018-19. These were:

- Report No. 9/2018: *ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour*
- Report No. 1/2019: *Total Facilities Management procurement*
- Report No. 2/2019: *Recognition and implementation of obligations under the Human Rights Act 2004*
- Report No. 3/2019: *Access Canberra business planning and monitoring*
- Report No. 5/2019: *Management of the System-Wide Data Review implementation program*
- Report No. 6/2019: *ICT strategic planning*
- Report No. 7/2019: *Referral processes for the support of vulnerable children*

An overview of each of these reports is as follows.

Report No. 9/2018: ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour

In mid to late 2016 concerns associated with the accuracy of ACT Health's performance information and reporting were identified. On 29 July 2016, ACT Health wrote to two officers of the former Performance Information Branch, ACT Health to notify them of

misconduct allegations against them. These allegations related to errors in the *March 2016 ACT Health Services Quarterly Performance Report* (i.e. the Third Quarter 2015-16 report). The two former officers had key responsibilities for the production and accuracy of this report and other ACT Health performance information.

The two former officers made claims of inappropriate workplace behaviour on the part of the former ACT Health Director-General and former Deputy Director-General Corporate, ACT Health.

The audit considered management and administrative actions taken in relation to:

- allegations of breaches of the *Public Sector Management Act 1994* by two former staff of the Performance Information Branch; and
- allegations made by these former staff of breaches of the *Public Sector Management Act 1994* by senior Executives.

The overall conclusion to the audit was:

ACT Health did not effectively manage allegations of misconduct initiated by the former Director-General and former Deputy Director-General, Corporate against two former Performance Information Branch officers who were involved in preparing performance information and reporting, the accuracy of which was of concern to these executives. Furthermore, complaints of inappropriate workplace behaviours made by one of the former Performance Information Branch officers against the former Director-General and former Deputy Director-General, Corporate were also ineffectively managed.

Despite significant concerns held about the accuracy of performance information and reporting, to provide transparency and demonstrate accountability, it was important that appropriate processes be undertaken and documented for the management of the allegations of misconduct against the former officers; this did not occur.

In going forward, ACT Health needs to confirm and articulate the desired culture and values to be fostered across the organisation. As part of disseminating this information, there should be an emphasis on how allegations of misconduct are to be managed, including the processes to be used for making and responding to complaints of inappropriate workplace behaviour. Additionally, it would be timely for the Public Sector Standards Commissioner and the Professional Standards Unit to raise awareness of their roles and the merits of early contact with them, especially for allegations of serious misconduct.

The Auditor-General also concluded that:

The management of allegations against former employees

ACT Health did not effectively manage allegations of misconduct against two former officers in the Performance Information Branch. While it is apparent that the former Director-

General and former Deputy Director-General, Corporate had significant concerns regarding the preparation of performance information and reporting, for which the Performance Information Branch was responsible, the decision to initiate a misconduct investigation into the two officers based on these concerns was precipitous. There is no contemporaneous documentation to justify potential misconduct or the initiation of the misconduct investigation.

Documentation (an ACT Health Preliminary Assessment proforma) that purported to support undertaking a misconduct investigation was produced approximately three weeks after the decision was made to undertake the misconduct investigation and suspend the officers. Given the decision and actions already undertaken this means the documentation was redundant.

ACT Health referred the allegations, including the ACT Health Preliminary Assessment proforma, to the Professional Standards Unit for investigation. The Professional Standards Unit's processes complied with the requirements of the ACT Public Service Administrative and Related Classifications Enterprise Agreement 2013-2017. This included the two officers being given the opportunity to respond to the allegations and review key documentation. The result of the investigation was a determination that one former officer had not engaged in misconduct; there was no formal resolution for the other officer as, although the investigation was completed and findings were made, the independent Delegate did not make a determination as to misconduct because the officer's employment contract with ACT Health had expired.

The investigation took around five months to complete which, although lengthy, is reasonable considering its technical nature and complexity, delays in receiving relevant documentation from ACT Health, requests for additional time to respond by the two former officers and the Christmas and New Year shut-down period.

The management of complaints about the former Director-General and former Deputy Director-General, Corporate

ACT Health's management of complaints regarding inappropriate workplace behaviours (including allegations of bullying) made by the former Senior Manager, Business Intelligence was not effective.

Procedures in ACT Health's Standard Operating Procedure – Anti Discrimination, Bullying and Harassment (SOP) were not followed by the former Director-General or former Deputy Director-General, Corporate in responding to a written complaint by the former Senior Manager, Business Intelligence in July 2016 about the conduct of the former Deputy Director-General, Corporate. Given that the SOP is ACT Health's policy it was incumbent on the executives to follow the intent of its procedures, even though the SOP specifically refers to a complainant as 'the staff reporting an act of bullying behaviour to their manager [Audit emphasis]' and not the executive.

Key discussions (in May 2016 and July 2016) between ACT Health Human Resource officers and the former Senior Manager, Business Intelligence, regarding complaints (including

allegations of bullying) were not adequately documented. While retaining adequate documentation of such allegations is always important it is particularly so if the allegations are related to executives.

The former Public Sector Standards Commissioner implemented appropriate processes in responding to complaints about the former Director-General and former Deputy Director-General, Corporate's behaviours, noting that the complaints 'were very low level' and 'they weren't able to develop a case that this was bullying'. However, the former Commissioner's communication advising the two former officers that a determination had been made that the matters they had raised did not constitute a public interest disclosure was confusing. Clarity was therefore not provided to the two officers.

Three recommendations were made.

Report No. 1/2019: Total Facilities Management procurement

Since 2001 the maintenance, repairs and upgrades of Housing ACT properties have been undertaken through a Total Facilities Management (TFM) contract with a private sector supplier. Under the TFM contract, the supplier has responsibility for planning and managing maintenance and service upgrades for social housing properties, including responsibility for managing sub-contractors undertaking the work.

In September 2016 the Commissioner for Social Housing (the Director-General of the Community Services Directorate) commenced a procurement exercise for the TFM contract. The procurement delegate (Director-General of the Community Services Directorate as the Commissioner for Social Housing) authorised Housing ACT to enter into contract negotiations with the preferred tenderer (Programmed Facility Management Pty Ltd) on 18 April 2018 and in October 2018 the *Total Facilities Management Services Agreement* was signed by Programmed Facility Management Pty Ltd and the Director-General of the Community Services Directorate.

The audit considered the effectiveness of Housing ACT's procurement processes for the Total Facilities Management contract.

The overall conclusion to the audit was:

Housing ACT's management and implementation of procurement processes for the Total Facilities Management (TFM) contract were effective. The procurement was effectively planned and managed and effective administrative arrangements were put in place for a procurement that was complex, high value and high risk.

The Auditor-General also concluded that:

Procurement governance

Housing ACT developed and implemented an appropriately structured procurement governance framework for the TFM procurement, which was supported by well-organised and comprehensive project documentation and record-keeping of key activities and decisions. The governance arrangements included clear management and leadership roles and responsibilities, an experienced Project Manager, oversight by a Project Steering Committee with a broad range of experience, and proactive and early engagement with key stakeholders.

Tender evaluation

Housing ACT developed a well-structured and comprehensive TFM evaluation method, which reflected the evaluation criteria specified in the TFM Request for Tender. An appropriately experienced Tender Evaluation Team was established with clear roles and responsibilities. The Tender Evaluation Team was supported by a well-organised evaluation process and Specialist Advisors.

Probity arrangements

A sound, documented framework was established for the management of probity in the TFM procurement and probity in decision-making was promoted through the establishment of, and adherence to, the sound administrative processes for the procurement identified in this report.

For a complex, high value and high risk procurement such as this, probity arrangements would have been enhanced by a clearer articulation of the role of the Probity Adviser (including the nature of the activities to be undertaken and services to be provided) and more timely provision of written assurance with respect to the probity of the procurement process.

One recommendation was made.

Report No. 2/2019: Recognition and implementation of obligations under the Human Rights Act 2004

The ACT was the first Australian jurisdiction to legislate for human rights, through the *Human Rights Act 2004*. Amendments to the *Human Rights Act 2004*, in force from 1 January 2009, impose an obligation on public authorities, including ACT Government agencies, to act in a way that is consistent with human rights.

The audit considered how Community Corrections, within the Justice and Community Safety Directorate, and the Bimberi Youth Justice Centre, within the Community Services Directorate, recognised human rights and the requirements of the *Human Rights Act 2004*.

The audit also considered the activities of the Human Rights Unit, within the Justice and Community Safety Directorate, in providing support to ACT Government agencies in relation to human rights.

The Auditor-General concluded that:

Support for ACT Government agencies

The Human Rights Unit (Justice and Community Safety Directorate) provides effective advice and support to ACT Government agencies to consider and recognise their obligations as public authorities under the *Human Rights Act 2004* by reviewing all proposed government bills and providing advice to agencies on the bills' compatibility with the *Human Rights Act 2004*.

However, there is an opportunity for the Human Rights Unit to improve its support for ACT Government agencies with respect to the provision of information and guidance material on human rights and the requirements of the *Human Rights Act 2004*, particularly with respect to day-to-day administration and decision-making. Information and guidance material made available to ACT Government agencies through the Justice and Community Safety Directorate website is old and outdated and does not provide practical guidance to ACT Government agencies, and ACT public servants, on how to meet their obligations as public authorities. A Human Rights Toolkit that was being developed by the Human Rights Unit, which was identified as a key information resource by the ACT Government in its response to previous reviews of the *Human Rights Act 2004*, has not been progressed and is not available to ACT Government agencies and staff.

ACT Government agencies are required, through Annual Report Directions, to report on human rights activities in their annual reports. The quality and comprehensiveness of this reporting are varied. This results in difficulty in assessing what progress, if any, is being achieved by ACT Government agencies in meeting their human rights obligations and in the development of a human rights culture in ACT Government agencies.

Development of a human rights culture

The Justice and Community Safety Directorate and Community Services Directorate have taken steps to build a human rights culture through whole-of-directorate strategic and organisational policies and documents. Various policies and documents in each Directorate implicitly, and in some instances explicitly, recognise and articulate the importance of human rights to the activities of the Directorate.

Operational practice and professional development

The Community Services Directorate and Justice and Community Safety Directorate have implemented practices to support staff to comply with their obligations as public authorities under the *Human Rights Act 2004*, but these vary in their quality and comprehensiveness.

The activities of staff at the Bimberi Youth Justice Centre (Community Services Directorate) are supported by a comprehensive set of operational policies and administrative documents, which directly reference human rights and the *Human Rights Act 2004* and the obligations of public authorities. The *Charter of Rights for Young People in Bimberi Youth Justice Centre* and *A Young Person's Guide to Bimberi Youth Justice Centre* are also key documents that provide information and guidance on the importance of young people's rights. Collectively, the documents provide a sound framework for operational and administrative decision-making to comply with the *Human Rights Act 2004*.

Operational policies and administrative documents referenced by Community Corrections staff (Justice and Community Safety Directorate) implicitly recognise the importance of human rights, but do not provide practical guidance on human rights and their specific application to operational activities and administrative decision-making. There is also an opportunity to improve the documentation of human rights considerations for key decision-making processes in both directorates.

Five recommendations were made.

[Report No. 3/2019: Access Canberra business planning and monitoring](#)

Access Canberra was established on 16 December 2014 as a function within the Chief Minister, Treasury and Economic Development Directorate. Since its establishment Access Canberra has embarked upon a series of organisational change and governance and administrative reforms and initiatives aimed at improving organisational capability and effectiveness. In 2018, the Access Canberra Executive placed a particular focus on initiatives aimed at improving business planning and record-keeping across the organisation. The audit considered the effectiveness of Access Canberra's initiatives to improve business planning and record-keeping.

The Auditor-General concluded that:

Development of business plans

In the first three years since its establishment in December 2014, Access Canberra did not develop or implement a comprehensive business planning framework for the organisation. There was a lack of meaningful, organisation-wide business planning until July 2017 and inconsistent and ad hoc planning processes for Access Canberra's divisions and teams during this period. Access Canberra's activities were undertaken without reference to a set of structured and cascading business plans. The development of a business planning hierarchy in October 2017 provides a framework for effective organisational planning into the future. This framework clearly shows the role of Access Canberra business planning processes (including the *Access Canberra Business Plan*, divisional business plans and team-based business plans) and their integration with broader Chief Minister, Treasury and Economic Development Directorate planning as well as individuals' performance development planning.

There was a major focus on the part of Access Canberra to develop and implement team-based plans for 2018-19. Outcomes sought from the team-based business planning included organisational visibility over teams' business as usual activities and any business improvement projects being implemented by teams across the organisation.

The process of developing team-based business plans for Access Canberra's business units was inclusive and valued by staff. The process has also had an organisational cultural value and has engaged staff from across most areas of Access Canberra. It has assisted in promulgating a common language and shared purpose within Access Canberra. However, there is much to improve upon in the planning process and the resultant plans. It is not yet effective. A key deficiency is a business planning methodology which clearly identifies:

- the purpose of the business planning process, and what is being sought for the organisation;
- the sequencing of the different levels of planning across the organisation and how the plans align and should be used to inform other plans and activities;
- the level of team-based planning, i.e. what teams are to participate in annual planning; and
- how plans are to be reviewed, agreed and finalised.

Monitoring of business plans

Access Canberra processes for monitoring its business plans have not been effective. Access Canberra has not effectively monitored the *Access Canberra Business Plan* since its implementation in July 2017, nor has it effectively monitored its divisional or team-based business plans.

No performance measures or targets were identified for the *Access Canberra Business Plan* when it was implemented in July 2017. Performance measures for its 2017-18 activities were only agreed on 22 June 2018 and performance measures for 2018-19 only agreed on 2 November 2018 and implemented on 8 February 2019. This is too late to be effective in influencing performance monitoring and remedial action during the year. The late agreement and implementation of the performance measures have impeded the quarterly monitoring and reporting of the *Access Canberra Business Plan*, to which the Access Canberra's Executive agreed in May 2018. There is also variability in the quality and comprehensiveness of the performance measures that have been identified; the 2018-19 performance measures are an improvement on the 2017-18 measures.

Following the development and implementation of the team-based business plans for 2018-19 there has been inconsistency in how teams have used, referred to, monitored and reported on the activities identified in their plans. There is also variability in the quality and comprehensiveness of the performance measures that have been identified by the teams in their business plans, and their usefulness in measuring the teams' performance. A key

deficiency in the monitoring and reporting of team-based business plans is a methodology which clearly identifies:

- expectations for the specification of performance measures, including targets that are capable of being monitored and reported against;
- how and when performance is to be reported; and
- expectations of teams with respect to the ongoing review and updating of team-based business plans.

Improving records management

Access Canberra's initiatives to improve record-keeping across the organisation have been inconsistent and ad hoc and implemented with variable levels of success.

As a function within the Chief Minister, Treasury and Economic Development Directorate, Access Canberra relies on the broader directorate's records management team and its activities to comply with certain aspects of the *Territory Records Act 2002*. However, Access Canberra is also independently developing a better understanding of Access Canberra-specific needs and capability and has demonstrated a commitment to improving its records management. A key issue for Access Canberra is to determine whether it intends to develop and implement its own Records Management Program, and associated policies, separate to that of the broader directorate.

Project Keystone is a major focus of Access Canberra, which seeks to simultaneously improve record-keeping across the organisation and move towards a 'paperless' organisation. Project Keystone is progressing, but is behind schedule. The full extent of Project Keystone, including the number of files and records to be migrated to Objective, is dependent on Access Canberra securing funding beyond June 2019. Any shortfall in the outcomes originally intended for Project Keystone will impair the organisation's ability to achieve consistency and effectiveness in its records management. While Access Canberra teams have a fair understanding of their records management needs and improvement actions, the extent to which these are effectively recognised in team-based business plans is variable.

Three recommendations were made.

Report No. 5/2019: Management of the System-Wide Data Review implementation program

Between February 2017 and August 2018, the ACT Health Directorate undertook the System-Wide Data Review; a review commissioned by the ACT Minister for Health and Wellbeing to identify the root causes of systemic issues of data accuracy and performance reporting in ACT Health performance reports. On 21 August 2018 the Minister presented to the Legislative Assembly the final report from the System-Wide Data Review titled *Leading Data Reform: The Way Forward – Outcomes of the ACT Health System-Wide Data*

Review (August 2018). The report, and a suite of supporting documents, identified a program of activity to be implemented over a three-year period to address issues of data accuracy and performance reporting.

The audit considered the effectiveness of the ACT Health Directorate's program management arrangements supporting the implementation of recommendations, actions and initiatives identified in the ACT Health System-Wide Data Review.

The Auditor-General concluded that:

Governance for the System-Wide Data Review Implementation Program

Governance arrangements to support the System-Wide Data Review program are under development and are not yet mature enough to effectively support its implementation.

There is no documented program governance plan and program roles and responsibilities are not adequately defined. A series of committees and working groups that have been identified as supporting the implementation of the System-Wide Data Review are not yet effective; there is a lack of clarity with respect to roles and purpose and the groups are not consistently meeting and operating. Risk management arrangements to support the implementation of the program are in the early stages of development.

The Data Repository Population Project, a major component of the System-Wide Data Review program, has well-defined project management arrangements in place that provide transparency and rigour to monitoring the progress and implementation of the new data repository. The governance and management of the System-Wide Data Review implementation program as a whole could benefit from the adoption of similar arrangements.

Planning for the System-Wide Data Review Implementation Program

Planning for the implementation of the System-Wide Data Review program is not effective. There is neither transparency nor clarity about how and when the three-year program will be delivered and if the program will be completed as envisaged in the Leading Data Reform: The Way Forward – Outcomes of the ACT Health System-Wide Data Review.

The ACT Health Directorate has implemented a short-term planning approach to the program (six months at a time) and has resourced implementation activities as 'business as usual'. There is little information or specificity for program activities planned beyond June 2019 and inadequate documentation of the critical path(s) of the program and its activities, including key dependencies and milestones or when activities are estimated to be completed

Processes for reporting on the progress of implementation are under development and do not yet provide adequate information on activities' estimated completion dates, key dependencies between and across projects, the resources necessary to complete the program or the realisation of benefits.

Two recommendations were made.

[Report No. 6/2019: ICT strategic planning](#)

Effective public administration relies heavily on information and communications technology (ICT); ICT drives all facets of public administration, including policy development, service delivery, regulation and administration. In order to achieve public administration outcomes and objectives, ICT needs to be effectively planned and coordinated. Issues arising from the ageing of key systems and other challenges such as a lack of interoperability can significantly degrade the capacity of ICT to deliver the required capability over time. Good strategic planning also has the potential to help bridge the gap between users and providers of ICT. By participating in ICT strategic planning activities, users can ensure that ICT providers are aware of their business requirements and priorities. Without effective strategic planning, organisations may adopt a reactive approach to risk management; they focus on addressing risks that have materialised rather than on treating risks proactively. The lack of effective strategic planning can also result in organisational fragmentation, leading to duplication, gaps and uncertainty as to who is responsible for what activities.

The Auditor-General concluded that:

ICT strategic planning in the directorates

There is considerable variability and inconsistency in ACT Government directorates' ICT strategic planning processes. While some ACT Government directorates demonstrate a level of maturity in their approach to ICT strategic planning, and there are examples of better practice in some of the directorates, the variability in the quality and consistency of ICT strategic planning outputs impairs the ability of ICT to effectively support directorate strategic goals and objectives and whole-of-government goals and objectives.

The absence of a consistent, identifiable ICT strategic planning framework, with clear roles and responsibilities, timeframes and deliverables, makes it difficult for ACT Government directorates to consistently and effectively plan for ICT. This increases the risk of inconsistent and inappropriate ICT planning decisions across directorates and impairs the opportunity for collaboration across directorates and the achievement of whole-of-government efficiencies and cost-savings through consistent planning and procurement decisions.

Whole-of-government ICT strategic planning

ACT Government initiatives to improve whole-of-government ICT strategic planning have not been effective.

A key whole-of-government ICT strategic planning document is the ACT Government Digital Strategy 2016-2019 (the Digital Strategy). It provides a high-level vision statement for ICT for the ACT Government and seeks to bring cohesion to ACT Government directorates' ICT strategic planning 'through a common purpose, language and perspective'. However, there

is little further information on the practical implications of the ACT Government's vision for ICT, as identified in the Digital Strategy, and how this should be used to inform, or be translated into, directorate-specific ICT strategic planning processes and documents. A series of initiatives flagged in the Digital Strategy to promote whole-of-government ICT strategic planning, and which may have provided further information on the practical implications of the ACT Government's vision for ICT, have not been effective, including cross-directorate Digital Strategy Workshops and the completion of self-assessment scorecards by directorates against the strategic principles identified in the Digital Strategy. An Application Portfolio Management tool, an initiative that sought to comprehensively identify and document the 'current state' of ICT across directorates and inform future whole-of-government planning and procurement decisions was poorly implemented.

The establishment of a Digital Service Governance Committee in April 2016 sought to improve whole-of-government ICT strategic planning communication and coordination; it meets regularly and provides an effective forum for discussing key ICT strategic planning issues across the directorates. It is also effectively supported by an ICT Briefs and Business Cases Sub-Committee, which reviews directorates' ICT concept and budget bids, and provides advice which informs the budget deliberation process. However, other sub-committees that were envisaged to support the Digital Service Governance Committee, and which could have better and more proactively informed whole-of-government ICT strategic planning have not been established, including a Strategy and Roadmap Advisory sub-committee and Common Capability and Standards sub-committee.

Three recommendations were made.

Report No. 7/2019: Referral processes for the support of vulnerable children

Experiences from birth to five years play an important part in shaping the health, wellbeing and development of a child and the adult they become. The importance of early childhood services, and the benefits for the individual as well as the broader community, is well recognised. It is particularly important to have effective processes in place to identify children who are vulnerable and to enable appropriate support to be provided to address their developmental and other needs. ACT Government agencies offer a range of programs and services to children and their families. These range from universal early services that provide early family support, such as regular developmental checks for babies and young children, to targeted and more intensive support for children and their families with identified developmental and other needs.

This audit considered universal early family support services provided by the Community Services Directorate and Canberra Health Services and their linkages to more targeted services and interventions.

The Auditor-General concluded that:

Universal early family support services

Universal early family support services such as the Maternal and Child Health service, Child and Family Centres and Child Development Service are an opportunity for ACT Government agencies to identify potentially vulnerable children and their families and their needs for support. They offer a non-stigmatised, non-judgmental service to all children and families, through a universal platform, from which the specific needs of vulnerable children and their families may be identified and addressed through referrals to other programs and services.

The Maternal and Child Health service in particular offers one of the best and most accessible universal contact points for families during pregnancy and birth. Maternal and Child Health nurses are significantly experienced in providing health care to mothers and children, including identifying their needs and vulnerabilities and identifying programs and services that may be of benefit and use to mothers and children. However, a sizeable proportion of children in the ACT, approximately 10.0 percent in 2018, are not receiving a universal first 'home' visit from the Maternal and Child Health service and there is poor take-up of free health and development checks offered by the Maternal and Child Health service for children up to the age of four. While this does not mean that mothers and children are not receiving appropriate health care, this represents a missed opportunity for ACT Government agencies to engage with these children and their families, some of whom are likely to have vulnerabilities and who would benefit from attention from the Maternal and Child Health service or referral to another program or service.

Referrals from universal early family support services

Once a universal family support service such as the Maternal and Child Health service, the Child and Family Centres or the Child Development Service engages with a child or their family there is evidence of a range of services and supports put in place for the child and the family to address their specific needs and vulnerabilities. All universal family support services demonstrated linkages with, and referrals to, a range of other programs and services, including those offered by ACT Government agencies and those offered by external providers such as community organisations. However, referral processes from the universal early family support services could be strengthened by better, more comprehensive administrative and procedural guidance for staff and practitioners, particularly with respect to practical, administrative guidance for staff on processes for referrals to other programs and services.

Monitoring and reporting

There is an opportunity to improve public reporting and accountability for the delivery of services to vulnerable children and their families. Neither Canberra Health Services or the Community Services Directorate has Strategic Indicators or Accountability Indicators that provide meaningful information on the effectiveness of programs and services to vulnerable children and their families. A cross-agency performance and accountability framework, which was identified as a key activity associated with the Human Services Blueprint (2014)

was intended to 'promote shared responsibility and accountability across the system for joined up responses, whilst ensuring ongoing and simultaneous improvements'. This has not been progressed as envisaged and there has been no framework for planning and accountability across ACT Government agencies for the delivery of services to vulnerable children and their families (although a draft framework is expected to be prepared by June 2019).

Six recommendations were made.

B.2.6 Timeliness of performance audits

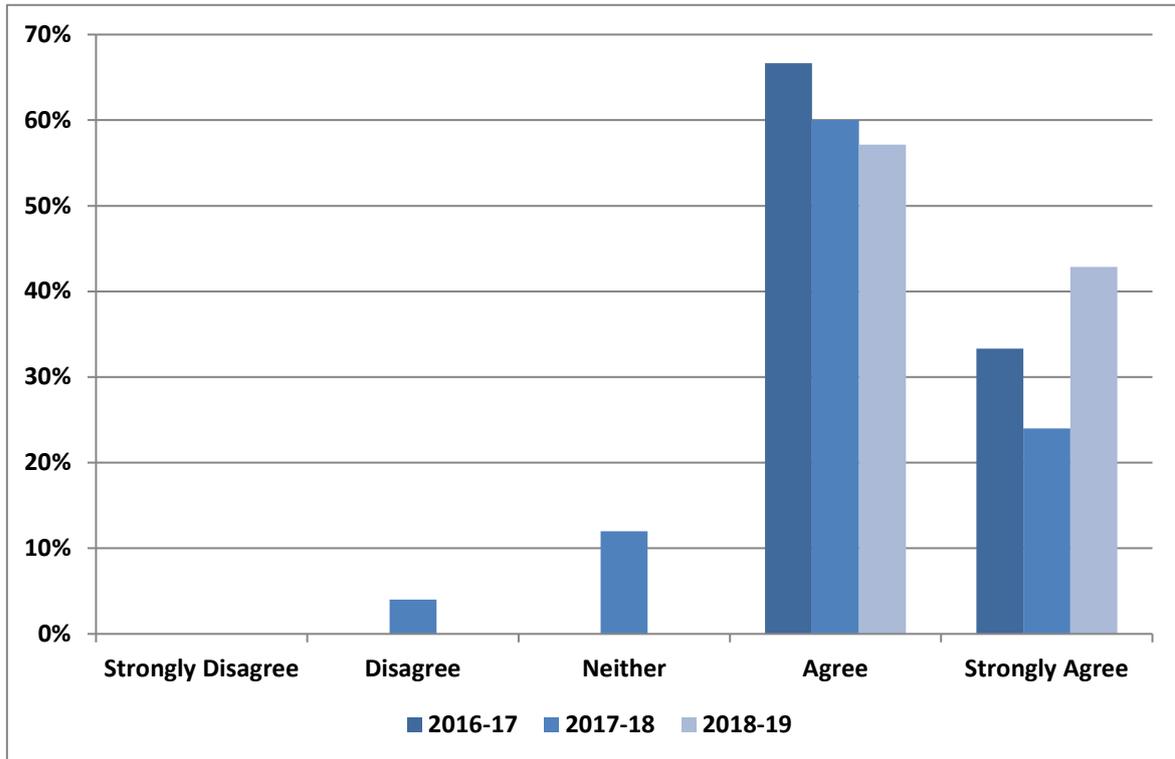
The average time taken to complete performance audits in 2018-19 was 7.3 months. This exceeded the targeted completion timeframe of 7.0 months but was shorter than the 2017-18 average of 7.6 months. The average time to complete a performance audit varies depending on the size and complexity of the audit, and the circumstances in which it is performed. Four audits undertaken in 2018-19 were completed in around five months or less. One audit significantly exceeded the target timeframe (17.1 months to complete), which was primarily due to it involving a complex subject matter and the departure of senior staff.

The Audit Office continues to explore ways to provide the capacity needed to deliver its performance audit program. In 2018-19, the Audit Office continued to use contractors and consultants in the delivery of performance audits and continued to use subject matter experts when appropriate. The practice of using subject matter experts is useful for complex audits or those requiring highly technical or specialist expertise.

B.2.7 Satisfaction with performance audits

Auditees are surveyed following the completion of each performance audit. Survey responses showed that agencies in general value the work of the Audit Office. Comments provided by agencies in 2018-19 were generally positive and indicated high levels of satisfaction with the way in which audits were conducted. Comments from agencies are in Note 7 of the Audit Office's Statement of Performance in Section C.6 'Statement of performance'. Figure B.2 indicates agencies' perceptions of audit contributions to improving administration of the audited activity.

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



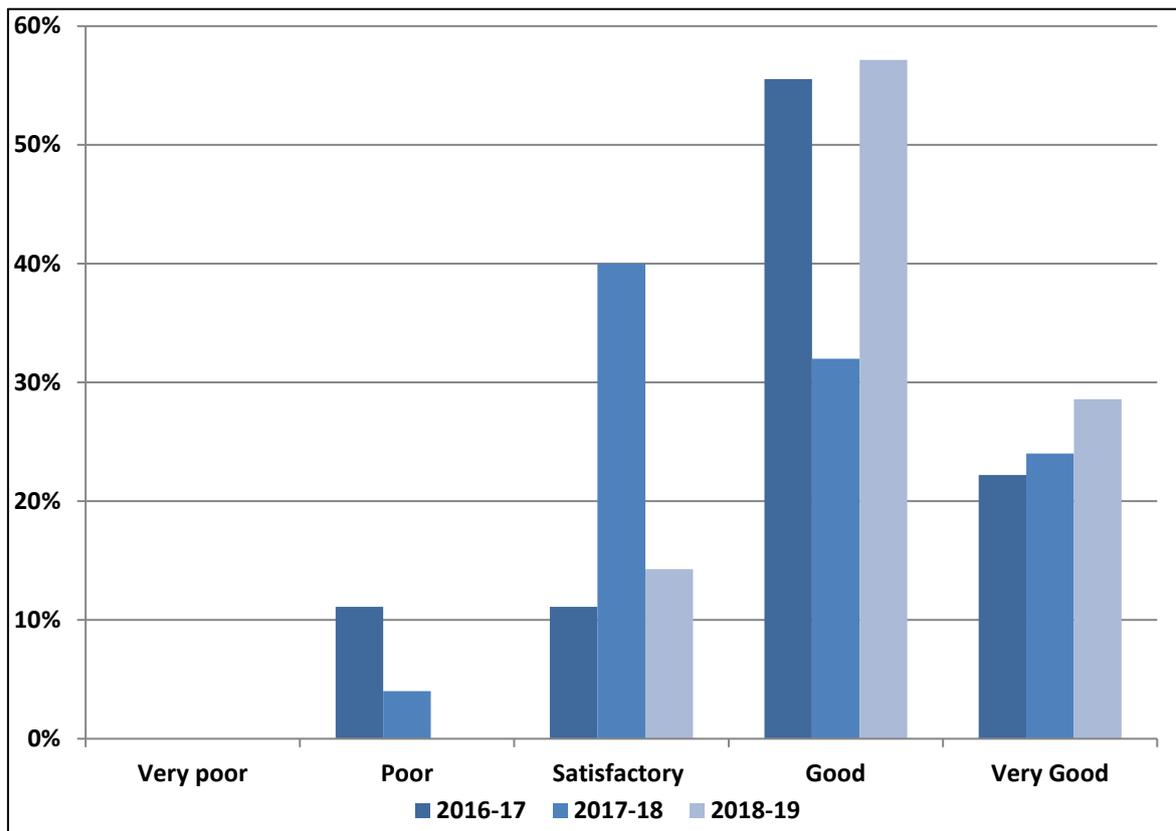
Source: Section C.6 'Statement of performance' on Note 9.

Figure B.2 shows that, in 2018-19, auditees generally responded positively to the statement 'the audit will help our organisation to improve administration of the audited activity'.

Figure B.2, which is based on seven survey responses received, shows that all respondents agreed (four responses) or strongly agreed (three responses) with the statement.

In August 2018 a satisfaction survey was received for an audit that was tabled in 2017-18. The survey was received too late for the results to be reported in the Audit Office's *2017-18 Annual Report* and *2017-18 Statement of Performance*. The respondent agreed with the statement 'the audit will help our organisation to improve administration of the audited activity'.

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



Source: Section C.6 ‘Statement of performance’ on Note 7.

Figure B.3 shows that most agencies continued to have a positive performance audit experience. Figure B.3, which is based on seven survey responses received, shows two respondents rated overall performance as ‘very good’, four respondents rated performance as ‘good’ and one respondent rated performance as ‘satisfactory’.

In August 2018 a satisfaction survey was received for an audit that was tabled in 2017-18. The survey was received too late for the results to be reported in the Audit Office’s *2017-18 Annual Report* and *2017-18 Statement of Performance*. The respondent rated performance as poor.

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

B.2.8 Performance audit seminar

The Audit Office held a Performance Audit seminar on 1 August 2018 (the seminar was initially planned for 2017-18). The seminar was opened by the Chair of the Standing Committee on Public Accounts (PAC). The seminar’s theme was *Lever for change: the role of performance audit* and included a guest panel comprised of Ms Alison Playford (Director-General, Justice and Community Safety Directorate), Mr Dave Peffer (Deputy

Director-General, Access Canberra), Mr Damian Cantwell AM (ACT Electoral Commissioner) and Dr Maxine Cooper (Auditor-General).

Overall attendees provided favourable feedback on the seminar.

B.2.9 Monitoring and improving the quality of performance audit work

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

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

Engagement quality control reviews

All audits completed in 2018-19 were subject to an engagement quality control review. These reviews sought to provide assurance that the:

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

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

Quality Assurance reviews

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

In 2018-19, the reviewer concluded that performance audits complied with the Office’s performance audit method and included appropriate audit evidence to support their findings and conclusions. The reviewer also found that a number of matters identified from prior reviews were addressed in the audit files that were selected for review.

Performance Audit Methods and Practices

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

PAMPr and ASPIRE are continuously reviewed and modified to identify any required changes to practices. Throughout 2018-19 there has been a continuing focus on improving and embedding PAMPr in performance audit team practices.

B.2.9.1 Comparison with other jurisdictions

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

Cost

The Audit Office’s average cost per performance audit for 2018-19 was \$231 025, which was lower than the 2017-18 average of \$311 038. The higher average cost of performance audits in 2017-18 was primarily due to the large and complex nature of some of the audits, which required extensive audit fieldwork and consultation.

In 2018-19, the average cost of a performance audit for all state and territory offices in Australia was \$383 659.

Timeliness

The Audit Office’s average period of completion of performance audits in 2018-19 was 7.3 months compared to the average of 12 months for all state and territory audit offices in Australia.

Further information can be obtained from:

Mr Brett Stanton	Assistant Auditor-General, Performance Audit	(02) 6207 9534	brett.stanton@act.gov.au
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B.2.10 Financial audits

The Audit Office provides:

- audit reports on financial statements prepared by ACT Government directorates, authorities and companies. While most are required by legislation (for example, the *Financial Management Act 1996* or *Corporations Act 2001*) some are also performed under other requirements (for example, grant and land joint venture agreements); and

- reports of factual findings on statements of performance prepared by ACT Government directorates and authorities as required by the *Financial Management Act 1996*.

These reports are issued in accordance with the Australian Auditing Standards and include an independent opinion on whether information reported in financial statements and statements of performance is presented fairly.

ACT Government agencies are required to include audit reports and reports of factual findings in their annual reports along with the financial statements and statements of performance that have been examined by the Audit Office.

B.2.11 Meeting targets

Table B-4: Accountability indicators for financial audits

Accountability indicators	2017-18 Actual	2018-19 Actual	2018-19 Target
Number of audit reports issued on financial statements and compliance audit reports	56	58	59
Number of reports of factual findings issued on statements of performance	25	26	26
Percentage of recommendations accepted in financial audits	85%	89%	95%
Percentage of financial audits completed within the required timetable	98%	91%	100%
Percentage of agencies satisfied with financial audits	100%	100%	95%
Presentation of the summary report on financial audits to the ACT Legislative Assembly			
1. Financial Audits – Overview	Nov 2017	Nov 2018	Nov 2018
2. Financial Audits – Financial Results and Audit Findings	Dec 2017	Dec 2018	Dec 2018
3. Financial Audits – Computer Information Systems	Feb 2018	Apr 2019	Apr 2019

B.2.12 Audit reports and reports of factual findings

The Audit Office met its reporting obligations by issuing an audit report on financial statements or limited assurance report on statements of performance whenever a report was required.

Two more audit reports were issued in 2018-19 (58) compared to 2017-18 (56) as:

- two reporting agencies (Suburban Land Agency and City Renewal Authority) were created from the restructure of the Land Development Agency (net difference of one additional audit); and
- an acquittal audit was conducted of the ACT Veterinary Surgeons Board.

One additional report of factual findings for the new land agency was also issued in 2018-19 (26) compared to 2017-18 (25).

Audit reports issued on financial statements and compliance audit reports, and reports of factual findings issued on statements of performance, are disclosed in Section C.6 'Statement of performance'.

B.2.13 Timeliness of financial audits

The Audit Office seeks to complete all financial audits within the timetable issued by the Chief Minister, Treasury and Economic Development Directorate or within a scheduled time agreed between the Audit Office and the reporting agency.

The Audit Office completed 91 percent (53 of 58) of the financial audits within the required timetable in 2018-19. Four of the five audits experienced a minor delay (up to seven days) because the relevant agencies provided their certified financial statements to the Audit Office later than planned. Despite this delay, the audits were completed in time for these reporting agencies to meet their statutory reporting timeframe. One audit was delayed by three months as the agency required additional time to obtain information to support the valuation of investments recorded in their financial statements.

B.2.14 Acceptance of audit recommendations

The Australian Auditing Standards require the Audit Office to report significant audit findings identified during an audit to those charged with the governance of an agency. Audit findings include: weaknesses in governance arrangements, internal controls and reporting systems and practices; legislative breaches; and/or errors or fraud.

Audit findings together with recommendations and suggested timeframes for addressing these findings are reported in audit management reports. Reporting agencies may disagree with audit recommendations for various reasons. These include, for example, that the:

- cost of implementing audit recommendations outweighs the benefits;
- weaknesses may be best addressed in ways other than recommended by the Audit Office; and/or

- risks posed by the weaknesses are not significant enough to warrant action.

Reporting agencies accepted 89 percent (131 of 147) of recommendations made by the Audit Office in 2018-19. This is slightly higher than the 85 percent accepted last year but lower than the target acceptance rate of 95 percent.

The lower than expected result is due to five percent (8 of 147) of the audit recommendations being 'partially agreed' and three percent (4 of 147) being 'agreed-in-principle'. Only three percent (4 of 147) of the recommendations were 'not agreed' or 'noted' by reporting agencies.

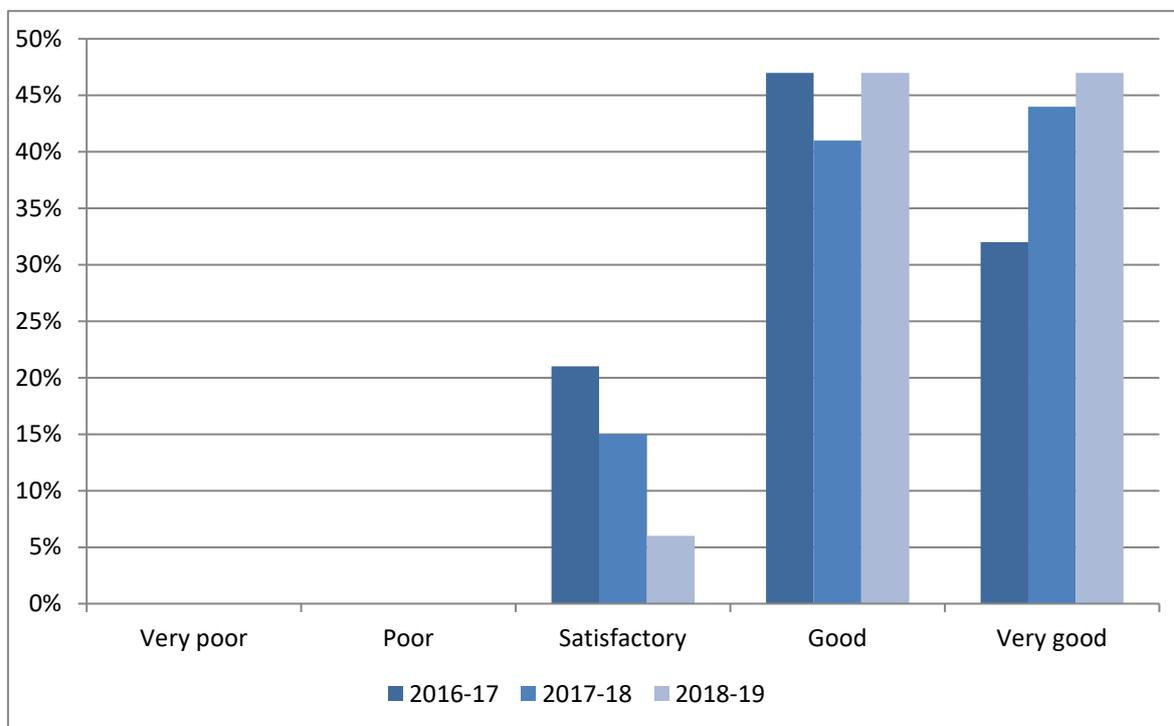
B.2.15 Satisfaction with financial audits

Reporting agencies consistently provided high satisfaction ratings on the Audit Office's performance in undertaking financial audits in 2017-18 and 2018-19.

In 2018-19, forty one reporting agencies were surveyed on their satisfaction with financial audits with 38 responses (93 percent) being received.

The percentage of reporting agencies satisfied with financial audits (100 percent) exceeded the target (95 percent) with 94 percent (36 of 38) of respondents to the survey rating the Audit Office's performance as 'good' or 'very good'.

Figure B.4: Reporting agency satisfaction ratings on financial audits



Source: Audit Office's Statement of Performance in Section C.6, Note 6

Figure B.4 shows that, in 2018-19, consistent with recent years, comments provided by agencies were generally positive and indicated high levels of satisfaction with the professional and constructive way in which audits were conducted. Comments made by reporting agencies are provided in Note 6 of the Audit Office's Statement of Performance in Section C.6 'Statement of performance'.

All feedback provided by reporting agencies was considered by the Audit Office, and where appropriate, discussed with agency representatives. Discussions are undertaken with a view to both improving the agency's understanding of the audit process and as a means of identifying how the Audit Office may improve its audit methods and practices.

B.2.16 Presentation of the summary report on financial audits to the ACT Legislative Assembly

The Audit Office presented the following three summary reports on financial audits in 2018-19:

Report No. 11/2018: 2017-18 Financial Audits – Overview

This report contains results of the:

- audits of financial statements and reviews of statements of performance completed by the Audit Office for reporting periods ending 31 December 2017 and 30 June 2018; and
- Audit Office's assessment of the quality and timeliness of reporting by ACT Government agencies.

The overall findings in the report were:

Results of financial statements audits

No qualified audit reports were issued in 2017-18. All 56 audited financial statements materially complied with the relevant reporting and accounting requirements and presented a true and fair view of the financial performance and position of the reporting agencies.

The overall quality of financial statements submitted by reporting agencies to the Audit Office for audit improved in 2017-18. All reporting agencies' financial statements were rated good or satisfactory.

All agencies provided their financial statements to the Audit Office in accordance with the whole-of-government timetable.

Results of statements of performance reviews

No qualified reports of factual findings were issued in 2017-18. No matters were identified from the Audit Office's reviews of statements of performance which indicated that reported results were materially incorrect or unable to be independently verified.

The quality of statements of performance submitted by reporting agencies to the Audit Office for review remained high with over 85 percent of agencies' statements of performance rated good or satisfactory.

Compliance by reporting agencies with the whole-of-government reporting timetable for providing their statements of performance to the Audit Office for review remained high as most agencies complied with the timetable.

Annual Reports

Almost all reporting agencies included accurate and complete versions of the audited financial statements and reviewed statement of performance in their annual report. Where inaccuracies were identified, the reporting agencies subsequently corrected their annual report.

[Report No. 12/2018: 2017-18 Financial Audits – Financial Results and Audit Findings](#)

This report discusses the Territory's financial results and an overview of the financial results and audit findings for selected reporting agencies for the year ended 30 June 2018. It includes information on the progress of reporting agencies in resolving audit findings.

The overall findings in the report were:

The Territory's financial statements

An unqualified audit report was issued on the Territory's 2017-18 financial statements. This indicates that the financial statements present a true and fair view of the Territory's financial position and results of its operations.

The net operating balance measures the difference between the Territory's expenses and its revenue. The Territory incurred a net operating balance deficit in 2017-18, however this was less than the deficit anticipated in the budget. The Territory has incurred net operating deficits since 2011-12 and forecasts deficits in future years as the costs of delivering public services is estimated to continue to exceed revenue.

The operating result is the net operating balance adjusted for other economic impacts. In the Territory, these mainly relate to gains or losses on investments. An operating surplus was made by the Territory in 2017-18 compared to a budgeted deficit. This was largely due to a better than anticipated net operating balance and gains on investments.

While an operating surplus is budgeted for 2018-19, deficits are forecast for 2019-20 and 2020-21. Another surplus is not forecast until 2021-22. However, this depends on continued

growth in revenue, constraining expenses to forecasted amounts and the generation of sufficient gains from investments to offset the estimated deficits in the net operating balance. As investment markets are volatile, the Territory's exposure to more or larger operating deficits in future years remain high.

The net assets of the Territory were \$15 804 million at 30 June 2018. However, this was lower than anticipated in the budget mainly due to the higher than budgeted unfunded superannuation liability, which accounts for 49 percent of the Territory's liabilities.

The Territory had a strong capacity to pay its liabilities that were due within 12 months of 30 June 2018. Net short-term assets were \$984 million at 30 June 2018, however, the Territory estimates this will significantly weaken to a net short-term liability position of \$3 million by 30 June 2022.

Audit findings

The number of audit findings reported to agencies have steadily decreased over the last three financial years. However, as 47 percent of previously reported audit findings were not resolved or were only partially resolved in 2017-18, agencies should give attention to promptly addressing these findings.

Report No. 4/2019: 2017-18 Financial Audits – Computer Information Systems

As part of the annual audits of the financial statements of ACT Government agencies, the Audit Office reviewed information technology controls relied on by agencies to prepare their 2017-18 financial statements. These included general controls over computer information systems and controls over specific major applications.

General controls include the overarching policies, procedures and activities used to manage operation of networks and data centres, access of users to systems and making changes to systems. Controls over specific major applications relate to a particular application. These include policies, procedures and activities used to manage entry and processing of data, access of users, making changes to applications and monitoring activities of users.

Agencies need to implement adequate controls to minimise the risk of misstatements of their financial results in their financial statements and fraud. Implementation of adequate controls also provides a safeguard against loss of security and privacy of sensitive information, loss of information and being unable to promptly and effectively recover operations in the event of a major disruption such as a natural disaster.

The findings reported are those that existed at the time of the 2017-18 financial audit. Some ACT Government agencies have since advised that some weaknesses have been, or are being, addressed. This will be verified as part of the 2018-19 financial audits.

The Auditor-General concluded that:

The key controls over the computer information systems used for financial reporting purposes by agencies were reviewed by the Audit Office and were assessed as satisfactory. However, weaknesses were identified that expose the financial information held by agencies to higher risks of errors and fraud; unauthorised disclosure of sensitive information; and loss of information and inability to recover operations in the event of a major disruption or disaster.

General controls over computer information systems

As general controls can have a major effect on the proper operation of all applications (financial and non-financial) used by agencies, it is particularly important that weaknesses in these controls are promptly addressed.

While progress is being made by agencies in addressing previously reported audit findings on general controls, more attention needs to be given to addressing them in a timely manner, as 86 percent (6 out of 7) of these findings relate to unresolved findings from previous years, some of which were raised five or more years ago. Although it is acknowledged that some weaknesses cannot be promptly addressed, for example, until older systems are upgraded or replaced, others can, but this is not always occurring.

Weaknesses in general controls that need particular attention relate to the:

- patching of applications to maintain system security and performance;
- whitelisting of applications (a security technique where only approved programs are allowed to operate, while all other programs, are blocked) to protect systems from malicious programs (e.g. viruses);
- effective management of user access to the ACT Government network by removing inactive users from the network (e.g. employees who have ceased employment and no longer need network access) and removing or reducing the number of generic (shared) user accounts to reduce the risk of unauthorised and fraudulent access to systems and data; and
- management of the risks of using cloud-based computing services external to the ACT Government to provide assurance that sensitive data is adequately protected from unauthorised and fraudulent access.

Controls over specific major applications

Twelve new weaknesses were identified in controls over major financial applications in 2017-18, with most (67 percent) of these relating to new applications that were implemented by agencies during 2017-18, including the TRev application (the system used

to record taxes and fee revenue of approximately \$972 million¹) and the APIAS application (the system used to record and approve supplies and services expenditure of approximately \$1 237 million²).

Two common weaknesses identified from the review of controls over major financial applications that need particular attention to strengthen the security of financial information, relate to the:

- effective management of user access to prevent unauthorised and fraudulent access to applications and data; and
- regular monitoring of activities performed by privileged users through the review of audit logs to promptly identify errors and fraud.

These findings highlight the need for agencies to have robust processes for identifying and addressing weaknesses in the key controls over their computer information systems.

Nineteen recommendations were made.

B.2.17 Improving reporting

As in prior years, in 2018-19 the Audit Office worked with reporting agencies to improve financial statements and statements of performance submitted for examination by the Audit Office. This was done with the aim of supporting reporting agencies to publish high quality financial statements and statements of performance.

The Audit Office provided suggestions on 'model financial statements' prepared by the Chief Minister, Treasury and Economic Development Directorate for use by reporting agencies in preparing their 2018-19 financial statements. The Office's review provides increased assurance that reporting requirements, in particular any new reporting requirements, are correctly addressed in the guidance provided in the model financial statements.

In 2018-19, particular emphasis was placed by the Audit Office in encouraging agencies to declutter their financial statements by removing immaterial or insignificant disclosures from their financial statements and statements of performance to improve the quality of reporting in the Territory. The Audit Office also arranged for workshop on new accounting standards to be provided to its staff and those involved in the preparation of agencies' financial statements.

The Chief Minister, Treasury and Economic Development Directorate generally consults with the Audit Office before releasing accounting and reporting guidance to agencies. This

¹ Source: Chief Minister, Treasury and Economic Development Directorate 2017-18 financial statements.

² Source: Audit Office records based on information in agency 2017-18 financial statements.

consultation process provides increased assurance that reporting agencies using this guidance material will comply with accounting and reporting requirements.

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

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

In 2017-18, the Audit Office reviewed the accounting treatment for, or reporting of:

- first year implementation of AASB 15 *Revenue from Contracts with Customers* by CIT Solutions Pty Limited;
- basis of preparation and reporting framework of Gungahlin Cemetery, Woden Cemetery, Hall Cemetery and Woden Mausoleum Perpetual Care Trusts; and
- disclosures of the impact of accounting standards issued but yet to be applied.

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

- transactions and arrangements are significant and/or complex or will have a significant financial impact over several years;
- instructions provided by the reporting agency to its accounting expert are not documented or are inadequate; and/or
- expert advice obtained by the reporting agency is unclear or does not explain the basis for the expert's conclusions with specific references to applicable accounting standards or other requirements.

The Audit Office used an accounting expert to assist in performing its review of accounting and reporting practices when necessary.

Consistent with previous years, the Audit Office used experts to review:

- the adequacy of information technology general controls and some application controls implemented by Shared Services that were relied on by most reporting agencies to prepare their financial statements; and
- estimates of reported liabilities calculated by actuaries including superannuation liabilities (Superannuation Provision Account) and claims liabilities (ACT Insurance Authority, Default Insurance Fund, Public Sector Workers Compensation Fund, Office of the Nominal Defendant of the ACT and Lifetime Care and Support Fund).

B.2.18 Financial audit seminar

The Audit Office held the 2018-19 Annual Financial Audit Seminar on 28 March 2019 opened by the Chair of the Standing Committee on Public Accounts (PAC). Seminar attendees were provided with information on:

- key findings from the annual program of financial audits;
- new accounting and reporting developments;
- the model financial statements issued by the Chief Minister, Treasury and Economic Development Directorate;
- audit committee perspective on the annual financial statements preparation and briefings from finance teams;
- taking the pain out of the preparation and audit of the financial statements;
- whole-of-government reporting requirements and timetable; and
- key audit contacts.

This information was presented by representatives from the:

- Audit Office: Michael Harris, ACT Auditor-General; Mr Ajay Sharma, Assistant Auditor-General, Financial Audit; and Mr Saman Mahaarachchi, Director, Financial Audit;
- Synergy Group: Ms Paulette Robinson, Partner; and
- Chief Minister, Treasury and Economic Development Directorate: Ms Carol Lilley, Chair, Audit and Risk Committee; Mr Geoff Britt, Accountant, Financial Framework Management and Insurance Branch and Ms Catherine Dalcin, Finance and Budget Division.

Overall attendees provided favourable feedback on the seminar.

B.2.19 Improving the quality of financial audit work

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

The Audit Office's Senior Director, Professional Services supervises the conduct of quality control reviews in accordance with the Audit Office's *Quality Control and Assurance Policy*. These reviews are the same as are used for performance audits, engagement quality control reviews or 'hot' reviews and quality assurance reviews or 'cold' reviews, refer to Section B.2.9 'Monitoring and improving the quality of performance audit work'.

Engagement quality control reviews

Financial audits assessed as having high engagement risk are subject to engagement quality control review or 'hot' review. The Audit Office's financial audit method requires the engagement quality control reviewer to assess if conclusions reached by the audit team are appropriate by reviewing key documentation and discussing relevant issues with the Engagement Leader. All matters identified from engagement quality control reviews were satisfactorily addressed prior to the completion of the financial audit.

Quality assurance reviews

The quality assurance review primarily focuses on whether the selected financial audits were conducted in accordance with the Office's financial audit method. The review also assesses the implementation of any matters identified from previous quality assurance reviews, including those from the Office's external reviews and engagement quality control reviews. These reviews are undertaken and finalised after the audit has been completed. In 2018-19, the work supporting the reviews of statements of performance was added to the scope of the quality assurance reviews.

In 2018-19, the reviewer concluded that financial audit files complied with the Office's financial audit method; and sufficient audit evidence was maintained to support the audit opinions issued. The reviewer also found that a number of matters identified from prior reviews were addressed in the audit files that were selected for review.

The reviewer recommended improvements for documentation in the audit file; these will be implemented in 2019-20. Accordingly, to provide assurance that review findings and recommendations lead to continuous improvements in the quality of financial audit work, the review recommended improvements:

- were considered in the annual financial audit method training held from 9 to 11 April 2019;
- are included in the checklist to be completed before audit opinions are issued, indicating that review findings have been addressed; and
- are included in the quality assurance reviews, indicating whether previous review findings have been consistently addressed.

B.2.20 Comparison with other jurisdictions

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

Cost

The Audit Office's average cost per opinion issued on financial statements in 2018-19 was \$101 503 which was an increase of \$5 675 (6 percent) compared to the 2017-18 average of \$95 828. This increase was mainly due to increase in staff costs arising from salary increments from the new enterprise agreement. The average cost of \$103 503 also includes the cost of reviewing statements of performance. If this cost was excluded, the average cost per opinion issued on financial statements would be \$70 085. In 2018-19, the average cost per opinion issued on financial statements for all state and territory offices in Australia was \$79 340.

Timeliness

The Audit Office issued 92 percent of its audit reports on financial statements within three months of the end of the reporting period compared to the average of 78 percent for all state and territory audit offices in Australia. This reflects the legislative requirement for audits of financial statements and reviews of statements of performance to be completed within three months of the end of the financial year.

Further information can be obtained from:

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

B.3.1 ACT Legislative Assembly inquiries and reports

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

The Audit Office's financial statements and statements of performance are audited by an independent external auditor under the A-G Act, appointed by the Speaker of the ACT Legislative Assembly. Unqualified reports for the 2018-19 financial statements and statement of performance were issued by the external auditor, Charterpoint Pty Limited.

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

The following performance audit reports were referred to the PAC in 2018-19:

- Report No 7/2018: *Five ACT public schools' engagement with Aboriginal and Torres Strait Islander students, families and community*
- Report No 8/2018: *Assembly of rural land west of Canberra*
- Report No. 9/2018: *ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour*
- Report No. 1/2019: *Total Facilities Management procurement*
- Report No. 2/2019: *Recognition and implementation of obligations under the Human Rights Act 2004*
- Report No. 3/2019: *Access Canberra Business Planning and Monitoring*
- Report No. 5/2019: *Management of the System-Wide Data Review implementation program*
- Report No. 6/2019: *ICT strategic planning*
- Report No. 7/2019: *Referral processes for the support of vulnerable children*

The PAC completed inquiries or reviews into the following performance audit reports in 2018-19:

- Report No. 1/2018: *Acceptance of Stormwater Assets*
- Report No. 2/2018: *ACT Government strategic and accountability indicators*
- Report No. 5/2018: *ACT Clubs' Community Contributions*
- Report No. 6/2018: *Physical Security*
- Report No. 7/2018: *Five ACT public schools' engagement with Aboriginal and Torres Strait Islanders students, families and community*
- Report No. 9/2018: *ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour*
- Report No. 1/2019: *Total Facilitates Management Procurement*
- Report No. 2/2019: *Recognition and implementation of obligations under the Human Rights Act 2004*
- Report No. 3/2019: *Access Canberra Business Planning and Monitoring*

PAC inquiries into the following performance audit reports were in progress at 30 June 2019.

- Report No. 7/2016: *Certain Land Development Agency Acquisitions*
- Report No. 1/2017: *WorkSafe ACT's management of its regulatory responsibilities for the demolition of loose-fill asbestos contaminated houses*
- Report No. 3/2018: *Tender for the sale of Block 30 (formerly Block 20) Section 34 Dickson*
- Report No. 8/2018: *Assembly of rural land west of Canberra.*

B.3.2 Reports of the Ombudsman

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

Further information can be obtained from:

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

B.4.1 Risk management

The Audit Office's risk management framework complies with the risk management standard AS/NZS 31000:2009 and the security risk management standard AS HB 167:2006 as required by the ACT Government's Risk Management Guidelines and Protective Security Policy Framework. The risk management framework includes a Risk Management Policy and Plan, Fraud and Corruption Prevention Plan, Business Continuity Plan and is supported by a comprehensive suite of policies and procedures.

The Office's Risk Register is reviewed, and the Business Continuity Plan is tested and updated on a regular basis. The Audit Office's risk management framework, including its Risk Register, is in the process of being reviewed. This review commenced with the conduct of a Risk Workshop for all senior staff in July 2019. The Business Continuity Plan was tested and updated in March 2019. Testing of the Business Continuity Plan was facilitated by an independent risk management consultant and confirmed that the Audit Office met the requirements of the plan.

The Office has assessed that it complies with the ACT Government's Protective Security Policy Framework from completing a self-assessment against the mandatory requirements of the Framework.

The Audit Office's Risk Manager is responsible for monitoring and reporting on the Audit Office's risk management framework.

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

The Audit and Review Committee also monitors risk management in the Audit Office.

Further information can be obtained from:

Mr Tim Larnach	Risk Manager	(02) 6205 2441	Tim.Larnach@act.gov.au
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B.5 Internal audit

B.5.1 Audit and Review Committee

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

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

Details of the membership of the Committee and meetings attended by its members in 2018-19 are provided in Table B-5.

Table B-5: Audit and Review Committee

Name	Position	External / Internal	Duration	No. of meetings attended in 2018-19
Mr James Palmer	Independent Chair	External	March 2017 to March 2019 March 2019 to March 2021	5
Ms Deborah Jackson	Member	External	November 2017 to November 2019	5
Mr David O’Toole	Member	Audit Office (Internal)	March 2016 to March 2020	4
Ms Caroline Smith	Member	Audit Office (Internal)	June 2018 to November 2018	2

Source: ACT Audit Office records

One member of the Committee is remunerated.

Ms Caroline Smith was a member of the Audit and Review Committee from 5 June 2018 to 29 November 2018; she commenced in the role of Chief Internal Audit Executive for the Audit and Review Committee on 29 November 2018 when she was appointed as Senior Director, Professional Services.

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

The main activities of the Committee in 2018-19 were:

- implementing an annual internal audit work program against a three-year Strategic Internal Audit Plan;
- overseeing internal audits and reviews of the Audit Office’s compliance with key legislation, the Audit Office’s implementation of recommendations from previous internal audits and other reviews;

- review the effectiveness of the systems for monitoring compliance with key legislative obligations;
- reviewing and endorsing the Audit Office's financial statements and statement of performance; and
- monitoring the Audit Office's risk management, fraud control and financial management activities through regular reports from the Audit Office's Risk Manager, Senior Executive Responsible for Business Integrity Risk (SERBIR) and Chief Finance Officer.

B.5.1.1 Internal Audit

The Audit and Review Committee undertook three internal audits in 2018-19.

Performance Management Framework

OCM was engaged to undertake an internal audit to evaluate the relevance and effectiveness of the Audit Office's Performance Management Framework (PMF) in:

- contributing to the achievement of Audit Office business priorities and goals;
- contributing to effective succession planning, progress towards career goals, and staff retention; and
- facilitating soundly-based performance appraisals that positively influence staff performance.

OCM was also asked to recommend any improvements to the Performance Management Framework from the above evaluation.

OCM concluded that:

Based on the work performed the PMF is effective in supporting staff in undertaking performance reviews consistently, regularly and in identifying areas for development in the coming years.

Three recommendations were made. All recommendations have been implemented at the time of preparing the Audit Office 2018-19 Annual Report.

ACT Audit Office Compliance with ACT Protective Security Policy Framework

BellchambersBarrett was engaged to undertake an internal audit to assess the extent to which the Audit Office complies with the 20 mandatory requirements of the ACT Government PSPF and has implemented any relevant improvements identified in the internal audit report 'Information Security Management' (May 2012).

BellchambersBarrett concluded that:

The Office assessed that it complies with the ACT Government's PSPF after completing a self-assessment against its mandatory requirements using the ACT Government compliance and capability self-assessment tool (the assessment).

BellchambersBarrett reviewed the Office's assessment which was completed in detail and adequately documented the measures adopted by the Office to demonstrate compliance.

The 2017-18 assessment was submitted in advance of the ACT Government deadline to JACS on 6 July 2018.

BellchambersBarrett review of the underlying policies, procedures and practices supporting compliance as documented in the assessment did not identify any significant instances of non-compliance with the requirements of the PSPF.

One recommendation and two management improvement suggestions were made. All recommendations and management improvements have been implemented at the time of preparing the Audit Office 2018-19 Annual Report.

Segregation of duties

BellchambersBarrett was engaged to undertake an internal audit of the effectiveness of the Audit Office's segregation of duties within the following key business processes:

- accounts payable;
- cash disbursements;
- accounts receivable; and
- cash receipts.

BellchambersBarrett concluded that:

The Office has implemented adequate segregation of duties within their accounts payable, cash disbursements, accounts receivable and cash receipts processes relative to their size and nature of transaction.

Office policies and procedures document the processes undertaken to meet the *Financial Management Act 1996* and *Auditor-General Act 1996* requirements for appropriate financial management, including segregation of duties.

Two recommendations and one management improvement suggestion were made. All recommendations and management improvements have been implemented at the time of preparing the Audit Office 2018-19 Annual Report.

Further information can be obtained from:

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

The Audit Office's *Fraud and Corruption Prevention Plan* minimises the risk of fraud and corruption. It was last reviewed in June 2017. The Audit Office's fraud control framework, including its fraud risks and associated *Fraud and Corruption Prevention Plan*, is in the process of being reviewed. This review commenced with the conduct of a Risk Workshop for all senior staff in July 2019.

Other policies addressing fraud and corruption prevention include: the Audit Office's Integrity Code; Asset Management Policy and Procedures; Acceptable Access and Use of Information and Communication Technology Resources Policy and Guidelines; Privacy of Information Policy; and Personnel Delegations.

The *Integrity Code* was reviewed and revised in July 2018. The Integrity Code discusses the Audit Office's values and provides practical instruction and guidance on behaviours associated with the values.

Staff are made aware of these policies and new staff are introduced to them as part of induction training.

The Assistant Auditor-General, Performance Audit is the Senior Executive Responsible for Business Integrity Risk (SERBIR).

No fraudulent activity or lack of compliance with fraud prevention procedures and guidelines was identified during 2018-19.

Further information can be obtained from:

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

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

B.7.1 Open access information

During the period 1 July 2018 to 30 June 2019 the Audit Office:

- decided to publish 26 documents on the Open Access website;
- did not make any decisions to withhold Open Access Information; and
- did not make any decisions not to publish a description of Open Access Information that was withheld.

B.7.2 FOI applications received and decision type

During the period 1 July 2018 to 30 June 2019 the Audit Office:

- received one access application;
- had no applications where access to all information requested was given;
- had one application where access to only some of the information requested was given (Partial release); and
- no applications where access to the information was refused.

B.7.3 FOI processing timeframe

During the period 1 July 2018 to 30 June 2019 the Audit Office received one application; this application was decided within the time to decide under section 40.

B.7.4 Amendment to personal information

During the period 1 July 2018 to 30 June 2019 the Audit Office did not receive any requests to amend personal information.

B.7.5 Reviews and fees

During the period 1 July 2018 to 30 June 2019 there were:

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

B.7.6 Process to lodge a request

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

To lodge a Freedom of Information request, or for further information about FOI legislation and processes, contact the FOI Coordinator for the ACT Audit Office at: <https://www.audit.act.gov.au/contact-us>

The ACT Audit Office FOI Disclosure log can be accessed at: <https://www.audit.act.gov.au/about-us/freedom-of-information>

Further information can be obtained from:

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

B.8.1 Community engagement activities

As described in Section B.2.3 'Performance audits', the Audit Office has robust planning, consultation and topic selection processes for the annual performance audit program. The consultation involves key community groups, the PAC, MLAs, the Head of Service and ACT Government directorates and other entities who may become auditees.

The performance audit program is flexible and responsive to new and emerging issues, including those from representations or public interest disclosures from the ACT Legislative Assembly or broader community. In 2018-19, the Audit Office received 38 representations. Information received from the community through representations is used to inform the development of the performance audit program and selection of topics.

B.8.2 Community support initiatives: Grants and sponsorship

The Audit Office did not provide any grants, assistance or sponsorship programs during 2018-19.

B.9 Aboriginal and Torres Strait Islander reporting

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

In 2018-19, it was announced in the *Performance Audit Program 2019-20 and Potential Audits to Commence over 2020-21 and beyond* that two audits may be conducted that

consider Aboriginal and Torres Strait Islander issues: *Support for Indigenous persons* (2019-20) and *Care and protection of Aboriginal and Torres Strait Islander children* (2021-22 and beyond). Likewise, planned performance audits where assisting the disadvantaged and vulnerable is an area of focus may consider Aboriginal and Torres Strait Islander persons.

B.10 Work health and safety

B.10.1 Workplace safety representatives

Workplace safety representatives are responsible for assisting in identifying and responding effectively to hazards, conducting risk assessments and promoting health, safety and welfare.

In 2018-19, the Audit Office had two Fire Wardens and one Workplace Safety Representative. Due to one staff member being on a short-term transfer, the Office had only one First Aid Officer from July 2018. From June 2019, the Office has a Standard Mental Health First Aid Officer.

B.10.2 Improving awareness of workplace health and safety issues

Staff are encouraged to contribute to making the workplace a healthy and safe environment.

The Audit Office's *Workplace Health and Safety Policy and Procedures* are provided to new staff and are readily accessible to all staff.

B.10.3 Sharing the workload

The Audit Office's work programs place high demands on some staff, for a limited time, particularly to complete audits within the necessary timeframe. The Audit Office shares this workload between audit teams to minimise excessive periods of long hours. It also uses a forward plan to manage the workload and enable staff to plan their recreational, study and other leave.

The Audit Office supports flexible working arrangements and promotes a healthy work/life balance.

B.10.4 Workstation – staff practices and assessments

The administrative nature of audit work means that staff are often at workstations for prolonged periods of time. Staff are encouraged to implement healthy work practices such as improving posture and taking regular breaks from sitting in front of the computer. Staff are also encouraged to have standing meetings to break the pattern of sitting for

extended periods of time. The Audit Office has thirteen height-adjustable workstations for staff, allowing staff to stand at their workstations while working on their computers.

Individual workstations are professionally assessed to ensure that medical needs of staff with injuries or other medical conditions are effectively addressed. Professional rehabilitation case management services are also available, if needed.

Workplace safety assessments are performed, including ergonomic assessments, on an as needed basis.

B.10.5 Health and well-being initiatives

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

- free influenza vaccinations to all staff;
- improving hygiene levels and reducing the risk of illness with provision of hand sanitisers and facial tissues in the Audit Office; and
- updates at staff meetings from the Audit Office's Respect, Equity and Diversity Contact Officers.

Other support available to staff includes access to:

- a coach and/or mentor;
- the Audit Office's Respect, Equity and Diversity Officers to discuss matters relating to bullying and harassment or any other matter that affects their well-being or that of other staff; and
- an employee assistance program.

B.10.6 Legislative compliance

In 2018-19, no enforceable undertaking and improvement, prohibition, or non-disturbance notices were issued to the Audit Office under the parts 10 or 11 of the *Work Health and Safety Act 2011*.

There were no accidents or dangerous occurrences in 2018-19 that required a notice under Part 3, section 38 of the *Work Health and Safety Act 2011*.

Further information can be obtained from:

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

B.11.1 Workforce planning

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

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

The Audit Office's challenge of continuing to maintain a workforce with the knowledge and experience required to deliver quality work is acknowledged in the Workforce Plan. In particular, the challenge of provision of sufficient career opportunities in a small agency remains, which leads to difficulty in retaining experienced staff.

The Workforce Plan provides a framework for the continuous development of staff. Some of the mechanisms used by the Audit Office to facilitate this include: maintaining a Performance Development Plan for each staff member; identifying learning and development needs; and providing regular feedback to staff on performance.

B.11.2 Forward work and human resource planning

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

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

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

Further information can be obtained from:

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

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

There were 43 staff (headcount) in the Audit Office (including the Auditor-General) as of June 2019 (40.5 full-time equivalent (FTE) staff). The small size of the Audit Office's workforce means that providing detailed information on some aspects of its workforce could infringe the privacy of individual staff. Therefore, the Audit Office has only provided general information on:

- the average length of service by gender and age group;
- the age profile of staff; and
- certain equity and diversity groups.

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

Operational area	FTE	Headcount
Executive	3.0	3
Financial Audit	22.1	24
Performance Audit	9.4	10
Professional Services	6.0	6
Total	40.5	43

Source: Shared Services Human Resources

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

	Female	Male	Total
Full-time equivalent	17.5	23.0	40.5
Headcount	19	24	43
Percentage of workforce (based on headcount)	44.2%	55.8%	100%

Source: Shared Services Human Resources

Table B-8: Head count by classification and gender

Classification	Female	Male	Total
Statutory office holder	0	1	1
Executives	0	2	2
Professional and administrative officers	19	21	40
Total	19	24	43

Source: Shared Services Human Resources

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

Employment category	Female	Male	Total
Permanent full-time	13	17	30
Permanent part-time	2	0	2
Temporary full-time	4	7	11
Temporary part-time	0	0	0
Casual	0	0	0
Total	19	24	43

Source: Shared Services Human Resources

B.11.4 Workplace diversity

Staff who have advised they are from culturally and linguistically diverse backgrounds represent 46.5 percent of the workforce. No staff member has advised that they are Aboriginal and/or Torres Strait Islander. No staff have advised they have a disability.

B.11.5 Age profile

Due to the small numbers in most categories, staff numbers by age group and gender are not reported in order to protect the privacy of individuals. The largest group, 72 percent of staff, are aged between 25 to 44 years and the remaining 28 percent of staff are aged 45 or over.

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

Gender	Female	Male	Average
Average length of service (years)	4	5.8	5

Source: Shared Services Human Resources

Table B-11: Recruitment and separation rates

	Recruitment rate	Separation rate
Audit Office	20.7%	6.9%

Source: Shared Services Human Resources

B.11.6 Learning and development

The Audit Office's learning and development program focuses on developing the Audit Office's capacity to meet its audit responsibilities in an effective and efficient manner. It addresses the technical and professional needs of the Audit Office and its staff in key areas such as audit, accounting, information technology, supervision, communication, public sector matters and management skills.

The program provides training and development to staff in areas identified in individual staff Performance Development Plans. The program focuses on high priority areas and is developed through consultation between managers and staff.

In 2018-19, staff time spent on training activities averaged eight days per staff member, an additional five days is provided per staff member who accessed study leave and half a day for attendance at exams. Expenditure on external training courses, including studies assistance, was approximately \$64 000 with the total cost of learning and development activities, including staff time, totalling approximately \$417 000.

Technical training was provided on financial and performance audit method; and changes to accounting and auditing standards. Other training included public sector seminars, building team culture, personal productivity, business continuity, risk management and a writing workshop.

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

Further information can be obtained from:

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

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

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

- minimising the number of printed documents, particularly those in colour, and using duplex printing;
- recycling paper using the appropriate bins;
- using electronic audit work papers;
- using movement activated lights or turning off lights and computer equipment and monitors when not in use; and
- using public transport and walking to audit locations.

The Audit Office also uses:

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

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

Table B-12: Audit Office staff and floor area

Staff and area	Unit	2018-19	2017-18	Percentage change
Staff	FTE	40.5	35.9	12.8%
Workplace floor area	Area (m ²)	500	500	0%

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

Table B-12 includes the workplace floor area occupied by full-time equivalent (FTE) staff employed at the end of each reporting period by the Audit Office on Level 4, 11 Moore Street, Canberra City.

The Audit Office had 40.5 FTE staff as of June 2019 compared to 35.9 FTE staff as of June 2018. The amount of floor space occupied by the Audit Office remained unchanged from the prior year.

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

Indicator as at 30 June	Unit	2018-19	2017-18	Percentage change
Stationary energy usage				
Electricity use	Kilowatt hours	40 230	40 256	(0.1%)
Natural Gas use	Megajoules	124 084	52 641	135.7%
Diesel use (non-transport)	Kilolitres	0	0	0%
Transport fuel usage				
Electric vehicles	Number	0	0	0%
Hybrid	Number	1	1	0%
Hydrogen vehicles	Number	0	0	0%
Total number of vehicles	Number	2	1	100%
Fuel use – Petrol	Kilolitres	0.13	0.19	(34%)
Fuel use – Diesel	Kilolitres	0	0	0%
Fuel use – Liquid Petroleum Gas (CNG)	Kilolitres	0	0	0%
Fuel use – Compressed Natural Gas (CNG)	Gigajoules	0	0	0%
Water usage				
Water use	Kilolitres	242	216	11%
Resource efficiency and waste				
Reams of paper purchased	Reams	295	340	(13%)
Recycled content of paper purchased	Percentage	100%	100%	0%
Waste to landfill	Litres	19 500	19 500	0%
Co-mingled material recycled	Litres	13 000	13 000	0%
Paper & Cardboard recycled (incl. secure paper)	Litres	18 700	18 700	0%
Organic material recycled	Litres	5 200	5 200	0%
Greenhouse gas emissions				
Emissions from electricity use	Tonnes CO ₂ -e	10.3	20.4	(49.7%)
Emissions from natural gas use (non-transport)	Tonnes CO ₂ -e	6.4	2.7	135.7%

Indicator as at 30 June	Unit	2018-19	2017-18	Percentage change
Emissions diesel use (non-transport)	Tonnes CO2-e	0	0	0%
Emissions from transport fuel use	Tonnes CO2-e	0.3	0.5	(31.6)
Total emissions	Tonnes CO2-e	17	23.6	(32.5)

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

The Environment, Planning and Sustainable Development Directorate (EPSDD) manages reporting of sustainability data for ACT Government agencies and entities. EPSDD has provided the data on natural gas usage, greenhouse gas emissions, waste and recycling for 2018-19 shown in Table B-13.

A single gas meter records usage for the entire building. Usage is apportioned according to tenancy area and is not necessarily reflective of the actual gas demand by the respective tenancies. A dramatic increase in gas usage over a three month period from March to June 2019 was attributed to very high out-of-hours demand thought to originate from other tenancies in the building. Given that the Audit Office's occupancy patterns have not changed, if the prior year usage for the last quarter is used, then the rate would be 56 620 megajoules, which is an increase of 7.2 percent from 2017-18. The model used to assign gas charges will be reviewed in 2019-20 by EPSDD.

Fuel use for business purposes is estimated by apportioning total fuel use on the basis of kilometres driven. The Audit Office had two vehicles in 2018-19; one from 1 July 2018 to 19 August 2018 and one from 15 February 2019 to 30 June 2019. The decrease in fuel use is consistent with the Audit Office having a vehicle for approximately seven months in 2018-19.

Water use is estimated from the total use of water in the building apportioned by floor space occupied by the Audit Office. Given most floors of the building are occupied by tenants other than the Audit Office, the Audit Office is unable to determine a reason for the increase in water usage.

The Audit Office continued to try to minimise the use of paper by practices such as scanning, emailing documents and using electronic audit work papers. The Audit Office participates in the ACTSmart Business Recycling Program, under which general waste is sorted into organic material, recyclable material and non-recyclable material.

The Audit Office's estimated total emissions in 2018-19 were lower than in 2017-18. This is consistent with the ACT government's target of achieving a net zero emission by 2045.

Further information can be obtained from:

Ms Caroline Smith	Senior Director, Professional Services	(02) 6207 7829	caroline.smith@act.gov.au
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B.13 Public interest disclosures

The Auditor-General receives public interest disclosures as a Disclosure Officer under the *Public Interest Disclosure Act 2012* (the PID Act).

Public interest disclosures received by the Audit Office may be categorised as one of two types, those relating to:

- the Audit Office and its operations; or
- another ACT public sector entity.

For disclosures relating to ACT public sector entities, the *Public Interest Disclosure Act 2012* (PID Act) requires the Audit Office to refer the disclosure to the relevant entity for investigation. In some instances the relevant entity may refer the matter back to the Audit Office for investigation as the Audit Office may be the most appropriate entity to investigate the disclosure. Under these circumstances the Audit Office may:

- conduct an investigation into the disclosure; or
- end the investigation into the disclosure, in accordance with section 20 of the PID Act.

Subsection 20(g) of the PID Act provides that an investigating entity may end an investigation into a disclosure if ‘there is a more appropriate way reasonably available to deal with the disclosable conduct in the disclosure’. In considering disclosures relating to public sector entities, the Audit Office may decide that undertaking a performance audit is in the public interest and is a more appropriate way of addressing the disclosable conduct. This practice highlights the complementary nature of the PID Act and A-G Act.

For disclosures relating to the Audit Office or its operations, the Audit Office may conduct an investigation. Processes would include:

- identifying or appointing appropriate officer(s) to undertake an impartial and fair investigation into the information;
- providing ongoing advice to the Auditor-General on the actions taken to investigate the disclosure;

- deciding if further action should be undertaken through the use of procedures for investigating unethical or inappropriate behaviours, as set out in *Public Sector Management Act 1994* and related standards, or through the relevant enterprise agreement; and
- advising the Auditor-General on corrective action to be taken to prevent the disclosable conduct continuing or occurring in the future and disciplinary options for any person responsible for the disclosable conduct.

No disclosures were received in 2018-19 relating to the Audit Office or its operations or any other ACT public sector entity.

Each year, the Audit Office receives representations from the public that may be public interest disclosures under the PID Act. Unless it would be inappropriate due to reasons of maintaining confidentiality or anonymity, the Office seeks the support of the person/s who contacted the Audit Office to refer their matters to the relevant agency for the agency to consider and decide whether they meet the requirements of a public interest disclosure under the PID Act. In 2018-19, the Audit Office received 38 representations, some of which were referred to the relevant agency for direct response.

Further information can be obtained from:

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

C.1 Financial management analysis

This section discusses the Audit Office's financial results and presents estimates of amounts contained in the 2018-19 Budget Papers.

C.1.1 Operating results

The Audit Office made an *operating deficit* of \$36 000 in 2018-19 compared to the budgeted operating surplus of \$44 000 and an operating deficit of \$338 000 in 2017-18.

As shown in Table C-1, the Audit Office estimates small operating results which are essentially break-even results in the future years till 2022-23. The Audit Office has sufficient accumulated surpluses to meet the estimated operating deficits incurred in 2018-19 and that forecast in 2019-20 and 2022-23.

Table C-1: Trends in operating results

	2018-19 Actual \$ 000	2019-20 Estimate \$ 000	2020-21 Estimate \$ 000	2021-22 Estimate \$ 000	2022-23 Estimate \$ 000
Operating (deficit)/surplus	(36)	(83)	74	11	(37)

Source: Audit Office's audited 2018-19 financial statements and ACT Budget 2019-20 Budget Statements

C.1.2 Financial results

The Audit Office's income is mainly comprised of *financial audit fees* and *appropriation*. *Financial audit fees* are charged for auditing the financial statements and performing limited assurance engagement on the statements of performance of reporting agencies. Information on the setting of *financial audit fees* is provided in Appendix A 'Financial Audit Fees'.

Appropriation received from the ACT Government mainly funds the costs of performance audits including briefing on these reports to the Standing Committee on Public Accounts and responding to representations and public interest disclosures.

Other costs funded by *financial audit fees* and *appropriation* include reviewing whole of government technical accounting and reporting advice for reporting agencies; reporting on the results of the annual program of financial audits, production of the Audit Office's annual report, learning and development programs for staff and other administrative expenses such as accommodation and information technology costs.

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

Table C-2: Financial results

	2016-17 Actual \$ 000	2017-18 Actual \$ 000	2018-19 Actual \$ 000	2018-19 Budget \$ 000
INCOME				
Financial audit fees	3 960	3 968	4 036	4 203
Appropriation – controlled recurrent payments	2 857	2 855	2 927	2 949
Other income	69	106	77	45
Total income	6 886	6 929	7 040	7 197
EXPENSES				
Employee expenses	4 298	4 553	4 834	4 786
Supplies and services	2 509	2 662	2 190	2 315
Depreciation	10	52	52	52
Total expenses	6 817	7 267	7 076	7 153
Operating surplus/(deficit)	69	(338)	(36)	44
Increase in the asset revaluation surplus	114	-	-	-
Total comprehensive income/(deficit)	183	(338)	(36)	44

Source: Audit Office's audited 2017-18 and 2018-19 financial statements

C.1.3 Income

C.1.3.1 Income compared to budget estimates

Total income (\$7.040 million) was slightly less than the budgeted amount (\$7.197 million). *Financial audit fees* (\$4.036 million) and *Appropriation* (\$2.927 million) were slightly lower than budgeted amounts of \$4.203 million and \$2.949 million respectively.

C.1.3.2 Income compared to previous year's income

Total income (\$7.040 million) was slightly higher than the previous year's amount (\$6.929 million) due to the small increases in *financial audit fees* and *Appropriation*.

C.1.3.3 Trends in income

Table C-3: Trends in income

	2018-19 Actual \$ 000	2019-20 Estimate \$ 000	2020-21 Estimate \$ 000	2021-22 Estimate \$ 000	2022-23 Estimate \$ 000
INCOME					
Financial audit fees	4 036	4 307	4 460	4 503	4 640
Appropriation – controlled recurrent payments	2 927	3 124	3 494	3 521	3 499
Other income	77	58	59	60	61
Total income	7 040	7 489	8 013	8 084	8 200

Source: Audit Office's audited 2018-19 financial statements and ACT Budget 2019-20 Budget Statements

Total income is estimated to increase over the next two years mainly due to additional appropriation for performance audits. The Audit Office will receive funding for one additional performance audit in 2019-20 (\$280 000), two additional performance audits in 2020-21 (\$560 000) and two additional performance audits in 2021-22 (\$571 000). This will increase the number of performance audits currently being done from seven to eight in 2019-20 and nine from 2020-21 onwards.

C.1.4 Expenses

C.1.4.1 Expenses compared to budget estimates

Total expenses (\$7.076 million) were slightly lower than the budget estimate (\$7.153 million).

Supplies and services expenses (\$2.190 million) were \$125 000 (5 percent) less than the budget estimate (\$2.315 million) mainly due to lower than anticipated payments for performance audit contractors as staff were recruited during the year to undertake performance audit work.

C.1.4.2 Expenses compared to previous year's expenses

Total expenses (\$7.076 million) in 2018-19 was lower than 2017-18 (\$7.267 million) mainly due to less *supplies and services expenses* (\$472 000) partially offset by higher *employee expenses* (\$281 000).

Supplies and services expenses decreased by \$472 000 (18 percent) largely as a result of lower cost of contractors and consultants on performance audits in 2018-19. These costs were higher in 2017-18 as an additional performance audit was delivered and consultants and contractors were used to address the departure of performance audit staff.

Employee expenses increased by \$281 000 (6 percent) from 2017-18 due mainly to additional staff required to backfill staff on leave and salary increases of around 3 percent under the enterprise agreement.

C.1.4.3 Trends in expenses

Table C-4: Trends in expenses

	2018-19 Actual \$ 000	2019-20 Estimate \$ 000	2020-21 Estimate \$ 000	2021-22 Estimate \$ 000	2022-23 Estimate \$ 000
EXPENSES					
Employee expenses	4 834	5 348	5 714	5 826	5 953
Supplies and services	2 190	2 172	2 207	2 247	2 284
Depreciation	52	52	18	0	0
Total expenses	7 076	7 572	7 939	8 073	8 237

Source: Audit Office's audited 2017-18 and 2018-19 financial statements and ACT Budget 2019-20 Budget Statements

Total expenses are estimated to increase from 2019-20 onwards in line with additional funding for performance audits discussed under *Trends in income*. The corresponding increase in *employee expenses* reflects the additional staff planned to be recruited to resource the additional performance audits.

C.1.5 Financial position

The Audit Office's ability to meet its current and non-current liabilities are discussed below.

Table C-5: Current financial position

At 30 June	Actual 2017 \$ 000	Actual 2018 \$ 000	Actual 2019 \$ 000	Budget 2019 \$ 000
Current assets	3 625	3 213	2 911	2 790
Current liabilities	1 828	1 721	1 395	1 288
Net current assets	1 797	1 492	1 516	1 502
Current ratio	1.98	1.87	2.09	2.17

Source: Audit Office's audited 2017-18 and 2018-19 financial statements and ACT Budget 2019-20 Budget Statements

The Audit Office has sufficient assets to meet its current liabilities as there was \$2.09 in current assets available to meet each dollar of current liabilities at 30 June 2019. This position is consistent with that forecast in the budget.

Table C-6: Long-term financial position

At 30 June	Actual 2017 \$ 000	Actual 2018 \$ 000	Actual 2019 \$ 000	Budget 2019 \$ 000
Current assets	3 625	3 213	2 911	2 790
Total liabilities	2 008	1 882	1 558	1 505
Net long-term financial position	1 617	1 331	1 353	1 285
Ratio of current assets to total liabilities	1.81	1.71	1.87	1.85

Source: Audit Office's audited 2017-18 and 2018-19 financial statements and ACT Budget 2019-20 Budget Statements

The long-term financial position at 30 June 2019 was slightly stronger than budgeted and prior years.

Further information can be obtained from:

Mr Ajay Sharma	Assistant Auditor-General, Financial Audit and Chief Finance Officer	(02) 6207 0830	ajay.sharma@act.gov.au
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C.2 Financial statements

ACT AUDIT OFFICE

FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2019

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2019, consisting of the:

- Operating Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Statement of Appropriation; and
- Notes to the Financial Statements;

are in agreement with the ACT Audit Office's accounts and records and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2019 and the financial position of the ACT Audit Office on that date.



Michael Harris
Auditor-General

30 July 2019

ACT AUDIT OFFICE
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2019

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2019, consisting of the:

- Operating Statement;
- Balance Sheet;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Statement of Appropriation; and
- Notes to the Financial Statements;

have been prepared in accordance with the Australian Accounting Standards, are in agreement with the ACT Audit Office's accounts and records, and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2019 and financial position of the ACT Audit Office on that date.



Ajay Sharma FCA
Chief Finance Officer

30 July 2019

Auditor's Opinion

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INDEPENDENT AUDITOR'S REPORT ON THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2019

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

Opinion

I have audited the financial statements of the ACT Audit Office for the year ended 30 June 2019 which comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement, statement of appropriation, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements:

- (i) present fairly, in all material respects, the ACT Audit Office's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

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

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

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

Responsibilities for the financial statements

The Auditor-General is responsible for:

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's Opinion (Continued)

charterpoint.

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

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

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

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

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



Adrian Kelly
Registered Company Auditor

Dated this 30th day of July 2019

ACT AUDIT OFFICE

OPERATING STATEMENT

YEAR ENDED 30 JUNE 2019

	Note No.	Actual 2018-19 \$ 000	Budget 2018-19 \$ 000	Actual 2017-18 \$ 000
INCOME				
Revenue				
Financial audit fees	2	4 036	4 203	3 968
Appropriation	2	2 927	2 949	2 855
Other income		77	45	106
Total revenue		7 040	7 197	6 929
Total income		7 040	7 197	6 929
EXPENSES				
Employee expenses	3	4 834	4 786	4 553
Supplies and services	4	2 190	2 315	2 662
Depreciation		52	52	52
Total expenses		7 076	7 153	7 267
Operating (deficit)/surplus		(36)	44	(338)
Total comprehensive (deficit)/surplus		(36)	44	(338)

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

ACT AUDIT OFFICE

BALANCE SHEET
AT 30 JUNE 2019

	Note No.	Actual 2019 \$ 000	Budget 2019 \$ 000	Actual 2018 \$ 000
ASSETS				
Current assets				
Cash	7	1 509	1 282	1 640
Receivables	6	1 385	1 483	1 550
Other assets		17	25	23
Total current assets		2 911	2 790	3 213
Non-current assets				
Office fit-out	5	73	70	122
Total non-current assets		73	70	122
Total assets		2 984	2 860	3 335
LIABILITIES				
Current liabilities				
Payables	8	174	209	182
Employee benefits	3	1 221	1 079	1 539
Total current liabilities		1 395	1 288	1 721
Non-current liabilities				
Employee benefits	3	77	131	75
Provision for make good		86	86	86
Total non-current liabilities		163	217	161
Total liabilities		1 558	1 505	1 882
NET ASSETS		1 426	1 355	1 453
EQUITY				
Accumulated funds		1 142	1 071	1 169
Asset revaluation surplus	5	284	284	284
TOTAL EQUITY		1 426	1 355	1 453

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

ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2019

<u>Year ended 30 June 2019</u>	Accumulated Funds Actual 2018-19 \$ 000	Asset Revaluation Surplus Actual 2018-19 \$ 000	Total Equity	Total Equity
			Actual 2018-19 \$ 000	Budget 2018-19 \$ 000
Balance at 1 July 2018	1 169	284	1 453	1 302
<i>Comprehensive surplus/(deficit)</i>				
Operating (deficit)/surplus	(36)	-	(36)	44
Total comprehensive (deficit)/surplus	(36)	-	(36)	44
Transactions involving owners affecting accumulated funds				
Capital injection	9	-	9	9
Total Transactions involving owners affecting accumulated funds	9	-	9	9
Balance at 30 June 2019	1 142	284	1 426	1,355

<u>Year ended 30 June 2018</u>	Accumulated Funds Actual 2017-18 \$ 000	Asset Revaluation Surplus Actual 2017-18 \$ 000	Total Equity
			Actual 2017-18 \$ 000
Balance at 1 July 2017	1 507	284	1 791
<i>Comprehensive surplus/(deficit)</i>			
Operating (deficit)	(338)	-	(338)
Total comprehensive (deficit)	(338)	-	(338)
Balance at 30 June 2018	1 169	284	1 453

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

ACT AUDIT OFFICE
CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2019

	Note No.	Actual 2018-19 \$ 000	Budget 2018-19 \$ 000	Actual 2017-18 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
Financial audit fees		4 178	4 333	3 812
Appropriation		2 927	2 949	2 855
Other receipts		482	472	495
Total receipts from operating activities		7 587	7 754	7 162
PAYMENTS				
Employee payments		(5 239)	(5 030)	(4 649)
Payments for supplies and services		(2 239)	(2 767)	(2 646)
Other payments		(250)	(265)	(444)
Total payments from operating activities		(7 728)	(8 062)	(7 739)
Net cash (outflows) from operating activities	7	(141)	(308)	(577)
CASH FLOWS FROM FINANCING ACTIVITIES				
RECEIPTS				
Capital Injection		9	9	-
Total receipts from financing activities		9	9	-
Net cash inflows from financing activities		9	9	-
Net (decrease) in cash		(132)	(299)	(577)
Cash at the beginning of the reporting period		1 640	1 581	2 217
Cash at the end of the reporting period	7	1 508	1 282	1 640

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

ACT AUDIT OFFICE

STATEMENT OF APPROPRIATION
YEAR ENDED 30 JUNE 2019

	Budget Appropriation 2018-19 \$ 000	Total Appropriated 2018-19 \$ 000	Appropriation Drawn 2018-19 \$ 000	Appropriation Drawn 2017-18 \$ 000
Controlled recurrent payments	2 949	2 949	2 927	2 855
Capital injection	9	9	9	-
Total appropriation	2 958	2 958	2 936	2 855

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

Notes

Controlled recurrent payments is recognised as revenue on receipt.

The 'Budget Appropriation' of \$2.949 million for 2018-19 was not fully drawn down due to a reduction in the amount funded for the workers compensation scheme resulting from a decrease in the insurance premium.

A capital injection of \$9,000 was received in 2018-19 to meet the cost of 27 pay periods falling within the financial year instead of the normal 26 pay periods.

ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2019**

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ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 1. About these financial statements

Our objectives

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

Basis of preparation

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

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

The financial statements comprise the following:

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 1. About these financial statements (Continued)

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

The financial statements:

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

The *Financial Management Act 1996* also requires the financial statements to include budget information to facilitate a comparison with the budget papers. Budget amounts disclosed in the financial statements are from the 2018-19 Budget Statements.

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

The impact of Australian Accounting Standards issued that apply to future reporting periods are disclosed in the relevant notes (Notes 2 and 5) of the financial statements.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 2. Funding for the delivery of audit services

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

Appropriation (Controlled recurrent payments and Capital injection)

The Statement of Appropriation contains details of the controlled recurrent payments and capital injection.

Financial audit fees

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

	Actual 2018-19 \$ 000	Actual 2017-18 \$ 000
General Government Sector	2 541	2 520
Public Trading Enterprises	700	640
Other	795	808
Total financial audit fees	4 036	3 968

Financial audit fee accounting policy

Revenue from the provision of financial audit services is recognised in the operating statement by reference to the stage of completion of each audit at the end of the reporting period and budgeted fee for each audit.

The income is recognised when the amount of the income, stage of completion and transaction costs incurred can be reliably measured and it is probable that the economic benefits associated with the transaction will flow to the Audit Office.

For audits performed by staff, the stage of completion for each financial audit is estimated by referring 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 amounts recovered or recoverable from auditees for amounts billed to the Audit Office by financial audit contractors, information technology consultants, tax experts, actuaries and other experts.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 2. Funding for the delivery of audit services (Continued)**Significant estimates and judgements**

The Audit Office had made a significant estimate that includes assumptions about when the future accrued financial audit income is recognised according to the estimated stage of completion of each audit. The estimation of each audit's stage of completion requires an estimate of total hours that will eventually be required to complete each audit.

Issued but not yet operative revenue accounting standards

AASB 15 *Revenue from Contracts with Customers* applies from reporting periods beginning on or after 1 January 2019 for not-for-profit entities. It replaces AASB 118 *Revenue* and establishes a framework for determining whether, how much and when revenue is recognised. The application of AASB 15 is not expected to affect materially the amount or timing of revenue from financial audit fees recorded in future financial statements. This is because the *Auditor-General Act 1996* allows the Auditor-General to bill agencies progressively as costs on the audits are incurred.

AASB 1058 *Income of Not-for-Profit Entities* applies from reporting periods beginning on or after 1 January 2019. It clarifies and simplifies the income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 *Revenue from Contracts with Customers*. The application of AASB 1058 is not expected to affect materially the amount or timing of recorded revenue from financial audit fees or appropriation recorded in the Office's future financial statements.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 3. The cost of delivering audit services

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

Employee expenses

	Actual 2018-19 \$ 000	Actual 2017-18 \$ 000
Salaries	4 476	4 049
Superannuation	524	572
Annual leave	(166)	(49)
Long service leave	(81)	(102)
Fringe benefits tax	7	12
Motor vehicle running costs	11	10
Workers' compensation insurance premium	63	61
Total employee expenses	4 834	4 553

Variance explanation**Prior year**

Employee expenses (\$4.834 million) increased by \$281 000 (6 percent) from 2017-18 due mainly to additional staff required to backfill staff on leave and salary increases of around 3 percent under the enterprise agreement.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

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

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

	Actual 2019 \$ 000	Actual 2018 \$ 000
Current - due at the reporting date		
Accrued salaries	40	109
Salary packaging expenses	2	4
Annual leave	443	608
Long service leave	736	818
Sub-total	1 221	1 539
Non-current - not due at the reporting date		
Long service leave	77	75
Sub-total	77	75
Total employee benefits	1 298	1 614

Variance explanation**Prior year**

Employee benefits (\$1.298 million) decreased by \$316 000 (20 percent) from 2017-18 (\$1.614 million) due mainly to departure of two staff at the executive level with large leave balances.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

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

Accrued salaries accounting policy

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

Annual and long service leave accounting policy

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

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

Assumptions

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. The rate used to estimate the present value of future payments for annual leave was 101.6 percent at 30 June 2019 (99.7 percent at 30 June 2018).

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

The rate used to estimate the present value of future payments for long-service leave was 110.1 percent at 30 June 2019 (100.9 percent at 30 June 2018).

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 3. The cost of delivering audit services (Continued)**Significant estimates and judgements**

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

The present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the timing or the estimated future cash flows. The judgements and assumptions included in the estimation of annual and long service leave liabilities were determined by the Australian government actuary in April 2019.

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

Classification as current and non-current liabilities

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

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

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

Sick leave

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

Superannuation

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

The schemes are defined benefit schemes, meaning that the defined benefits received by employees are based on an employee's years of service and final average salary. No liability for superannuation for employees in these schemes is recognised in the balance sheet as the total territory superannuation liability is recorded in the financial statements of the Superannuation Provision Account.

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 4. Supplies and services expenses

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

Nature and classification

	Actual 2018-19 \$ 000	Actual 2017-18 \$ 000
Contractors and consultants:		
Performance audit	171	712
Financial audit	882	945
Other	140	108
Sub-total	1 193	1 765
Accommodation lease	260	247
Information technology	246	276
Training	64	51
Printing	21	23
Payroll and recruitment processing	23	22
Recruitment and advertising costs	179	68
Electricity, gas and cleaning	25	23
Telephones	20	16
Travel	17	14
Library journals and subscriptions	36	28
Security	14	12
Audit fees	11	11
Legal services received free of charge from the ACT Government Solicitor's Office	31	48
Other	50	58
Sub-total	997	897
Total supplies and services	2 190	2 662

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

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

Supplies and services expenses of \$2.190 million was \$125,000 (5 percent) lower than the budget of \$2.315 million mainly due to lower than anticipated payments for performance audit contractors as staff were recruited during the year to undertake performance audit work.

Prior year

Supplies and services expenses decreased by \$472 000 (18 percent) largely as a result of lower cost of contractors and consultants on performance audits in 2018-19. These costs were higher in 2017-18 as an additional performance audit was delivered and consultants and contractors were used to address the departure of performance audit staff.

Commitments to contractors (inclusive of GST)

	Actual 2019 \$ 000	Actual 2018 \$ 000
Not later than one year	81	884
Later than one year and not later than five years	100	857
Total commitments	181	1 741

Variance explanation**Prior year**

The decrease in commitments to contractors at 30 June 2019 reflects payments made during 2018-19.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 5. Assets available to support service delivery

The Office's main asset is Office fit-out.

	Actual 2019 \$ 000	Actual 2018 \$ 000
Office fit-out (at fair value)	177	174
Less: Accumulated depreciation	(104)	(52)
Total Office fit-out	73	122

Office fit-out accounting policy

Office fit-out is measured at fair value. Fair value is determined by an independent valuer once every three years using the estimated cost of replacing the service capacity (optimised depreciated replacement cost). The last valuation was undertaken on 30 June 2017.

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

Reconciliation of the Asset Revaluation Surplus	Actual 2019 \$ 000	Actual 2018 \$ 000
Balance at the beginning of the reporting period	284	284
Revaluation increment as a result of an increase in the estimated fair value of the Office fit-out	-	-
Balance at the end of the reporting period	284	284

Depreciation accounting policy

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 5. Assets available to support service delivery (Continued)**Impairment accounting policy**

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

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

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

Provision for make good accounting policy

We have recognised a liability and a corresponding asset for the estimated cost of returning the Office premises to a similar condition to that which existed before our occupancy if we were to vacate.

The provision for make good was estimated by Ty Noble FAPI CPV (Director, Australian Valuation Solutions Pty Ltd) at 30 June 2017. Provision for make good is assessed every three years as part of the revaluation of Office fit-out.

Operating lease commitments

Operating lease commitments for information technology equipment and accommodation (including GST) at 30 June 2019 are as follows.

	Actual 2019 \$ 000	Actual 2018 \$ 000
Not later than one year	293	306
Later than one year and not later than five years	99	454
Total other commitments	392	760

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 5. Assets available to support service delivery (Continued)**Variance explanation – prior year**

The decrease in operating lease commitments reflects payments made during 2018-19.

Leases accounting policy

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. The Office has classified our leases as operating as they do not effectively transfer to the Office substantially all the risks and rewards incidental to ownership of the asset. Operating lease payments are recognised as an expense that is determined on a straight line basis over the terms of the leases. Most information technology equipment is under four year leases, and accommodation is under a five year lease.

Issued but not yet operative lease accounting standard

AASB 16 *Leases* applies from reporting periods beginning on or after 1 January 2019. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset value is low. This will result in the Audit Office recognising its operating leases as right-of-use assets alongside the associated lease liability, rather than accounting for these as operating lease expenditure. The right-of-use asset will initially be recognised at cost and will give rise to a depreciation expense. The lease liability will initially be recognised as the present value of the lease payments during the term of the lease. Lease payments made will reduce this liability over time and also result in an interest expense.

Under AASB 16 right-of-use assets and lease liabilities are to be recorded in relation to the Office's accommodation and motor vehicle operating leases. The Audit Office estimates the impact of these changes to be as follows:

- increase in right-of-use assets and lease liabilities of \$286 000 and \$389 000 respectively;
- decrease in make good asset and accumulated funds of \$23 000 and \$126 000, respectively; and
- higher depreciation expense and interest expense of \$267 000 and \$3 000 respectively, offset by lower operating expense of \$288 000.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 6. Receivables

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

Receivables by class of debtors was as follows:

	Actual 2019 \$ 000	Actual 2018 \$ 000
Invoiced financial audit debtors	85	148
Accrued financial audit income	1 300	1 379
Sub-total	1 385	1 527
Other receivables	-	3
Goods and Services Tax - net receivable	-	20
Sub-total	-	23
Total receivables	1 385	1 550

Variance explanation**Budget and Prior year**

Receivables of \$1.385 million were lower than the budget estimate of \$1.483 million by \$98 000 (7 percent) and \$165 000 (11 percent) lower than 2017-18 mainly due to less debtors from fewer unpaid invoices at year end and lower accruals for financial audit fee reflecting lower audit hours before 30 June 2019.

No allowance for impairment at 30 June 2019 was recorded because all amounts owed to the Audit Office for financial audit fees are expected to be collected.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

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

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

Until 30 June 2018, the allowance for impairment losses was based on a review of overdue balances and objective evidence of impairment. From 2018-19, the allowance for 'expected credit losses' is measured at the lifetime expected credit losses at each reporting date. The amount for any allowance for impairment of receivables is recorded as an expense in the operating statement.

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

Change in Accounting Policy - Initial Application of Australian Accounting Standard AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual reporting periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting.

The Audit Office applied AASB 9 prospectively with an initial application date of 1 July 2018. The adoption of AASB 9 has only resulted in changes to the Audit Office's accounting for impairment losses for financial assets; by replacing AASB 139's incurred loss model with a forward-looking expected credit loss approach.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 7. Cash

	Actual 2019 \$ 000	Actual 2018 \$ 000
Cash at bank	1 509	1 640
Cash as per Cash Flow Statement and Balance Sheet	1 509	1 640

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

Cash at bank earned an average floating interest rate of 2.1 percent in 2018-19 (2.4 percent in 2017-18).

Variance explanation**Budget**

Total cash exceeded the budget estimate of \$1.282 million by \$227 000 (18 percent). This was mainly due to a less than estimated payments for supplies and services as less than anticipated contractors and consultants were used on performance audits.

Prior year

Total cash at the end of 2018-19 is lower than prior year by \$131 000 (8 percent) mainly due to additional payments for operating activities relating to employee expenses resulting from recruiting more staff and increase in salaries from the new enterprise agreement.

Accounting policy

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 7. Cash (Continued)**Reconciliation of the operating (deficit) to net cash outflows from operating activities**

	Actual 2018-19 \$ 000	Actual 2017-18 \$ 000
Operating (deficit)	(36)	(338)
Non-cash item		
Depreciation	52	52
Changes in assets and liabilities		
Decrease/(increase) in receivables	163	(167)
Decrease in other current assets	5	3
(Decrease) in payables	(8)	(34)
(Decrease) in employee benefits	(317)	(93)
Net cash (outflows) from operating activities	(141)	(577)

Note 8. Payables

	Actual 2019 \$ 000	Actual 2018 \$ 000
Creditors and accruals	174	182
Total payables	174	182

Accounting policy

Creditors and accruals are amounts payable for goods and services provided to the Audit Office before the end of the reporting period. They are recognised at the amount to be paid for these goods and services when the liabilities are settled.

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

No overdue amounts were owed by the Office at 30 June 2019 or 30 June 2018.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 9. Financial instrument exposures

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

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

	Note No.	Carrying Amount 2019 \$ 000	Fair Value 2019 \$ 000	Carrying Amount 2018 \$ 000	Fair Value 2018 \$ 000
Financial Assets					
Cash	7	1 509	1 509	1 640	1 640
Receivables	6	1 385	1 385	1 550	1 550
Total financial assets		2 894	2 894	3 190	3 190
Financial Liabilities					
Payables	8	174	174	182	182
Total financial liabilities		174	174	182	182
Net financial assets		2 720	2 720	3 008	3 008

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

Interest rate risk exposure

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

The Audit Office is exposed to movements in the amounts of interest earned on cash. However, as operating cash flows are not significantly dependant on interest earned, there is no significant exposure. Weighted average interest rate at 30 June 2019 was 2.1 percent and 2.4 percent at 30 June 2018. As the rate has not moved significantly and did not vary during the year, a sensitivity analysis of the interest-rate risk has not been performed.

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 9. Financial instrument exposures (Continued)**Credit risk exposure**

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

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

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

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

Liquidity risk exposure

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 10. Related parties**Key management personnel**

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

2018-19		
Key Management Personnel	Position	Period in Position
Maxine Cooper	Auditor-General	1 July 2018 to 7 August 2018
Michael Harris	Auditor-General	8 February 2019 to 30 June 2019
Ajay Sharma	Director, Financial Audit and Chief Finance Officer	1 July 2018 to 7 August 2018
	Acting Auditor-General	8 August 2018 to 7 February 2019
	Assistant Auditor-General, Financial Audit and Chief Finance Officer	8 February 2019 to 30 June 2019
Brett Stanton	Director, Performance Audit	1 July 2018 to 22 January 2019
	Assistant Auditor-General, Performance Audit	23 January 2019 to 30 June 2019
Tim Larnach	Acting Director, Financial Audit and Chief Finance Officer	17 August 2018 to 22 January 2019
	Assistant Auditor-General, Financial Audit and Chief Finance Officer	23 January 2019 to 6 February 2019
Rosario San Miguel	Acting Principal, Professional Services	1 July 2018 to 28 November 2018
Caroline Smith	Principal, Professional Services	29 November 2018 to 22 January 2019
	Senior Director, Professional Services	23 January 2019 to 30 June 2019

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 10. Related parties (Continued)

2017-18		
Key Management Personnel	Position	Period in Position
Maxine Cooper	Auditor-General	1 July 2017 to 30 June 2018
Bernie Sheville	Director, Financial Audits and Chief Finance Officer	1 July 2017 to 18 June 2018
Brett Stanton	Acting Auditor-General	23 April 2018 to 11 May 2018
	Director, Performance Audits	1 July 2017 to 24 April 2018 11 May 2018 to 30 June 2018
Ajay Sharma	Acting Director, Financial Audits and Chief Finance Officer	31 July 2017 to 2 February 2018 7 March 2018 to 30 June 2018
	Principal, Professional Services	1 July 2017 to 30 July 2017 3 February 2018 to 6 March 2018
Rosario San Miguel	Acting Principal, Professional Services	31 July 2017 to 2 February 2018 26 March 2018 to 30 June 2018

Remuneration

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

	Actual 2018-19 \$ 000	Actual 2017-18 \$ 000
Short-term employee benefits	967	1 075
Post employment benefits	125	188
Other long-term benefits	443	89
Termination benefits	388	-
Remuneration of key management personnel	1 923	1 352

Remuneration of non-executive positions (Principal and Senior Director) is determined under the *ACT Public Service Administrative and Related Classifications Enterprise Agreement 2018-2021*.

Variance explanation

Increase from the prior year is largely due to termination benefits.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2019

Note 10. Related parties (Continued)

Other

Mr Bernie Sheville was Director, Financial Audits and Chief Finance Officer in 2017-18. Mr Sheville's brother was a director of Vincents Audit and Assurance over the same period. Services received from Vincents totalled \$83 000 exclusive of GST in 2017-18. There were no transactions with Vincents in 2018-19.

The transactions were conducted on an arms-length basis. Any potential conflict of interest regarding Mr Sheville was managed by ensuring that he was distant from the selection of audit firms (including Vincents) that helped to complete the financial audit program.

C.3 Capital works

The Audit Office had no capital projects for 2018-19.

Further information can be obtained from:

Mr Ajay Sharma	Assistant Auditor-General, Financial Audit and Chief Finance Officer	(02) 6207 0830	ajay.sharma@act.gov.au
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C.4 Asset management

C.4.1 Assets managed

The Audit Office's plant and equipment assets are comprised of the office fit-out, equipment and furniture such as audio visual equipment, workstations and chairs.

C.4.2 Asset maintenance and upgrade

No major asset upgrades were undertaken during 2018-19.

The Audit Office conducted stocktakes of its portable and attractive assets (mainly information technology assets) to ensure these were properly accounted for.

As disclosed in the Audit Office's financial statements, the office fit-out valuation included the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy (\$86 000).

C.4.3 Accommodation

There was no change in office accommodation in 2018-19. At 30 June 2019, the Audit Office occupied 500 square metres at 11 Moore Street, Canberra City and had 31 workstations. This equates to approximately 16.1 square metres per workstation.

The ACT Government target space utilisation rate for workstations in 2018-19 was 14.5 square metres per workstation. The Audit Office's workstation utilisation rate of 16.1 metres is higher than the target rate.

The Audit Office employed 43 staff (headcount) at June 2019. As the Audit Office only has 31 workstations, it employs a 'hot desking arrangement' whereby not all staff have a permanent desk allocated to them. This is because many staff work at auditees' premises for most of the year and it is unusual for all staff to be in the office at the same time.

Further information can be obtained from:

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

Contracts entered into by the Audit Office during 2018-19 with a value of \$25,000 and above are listed in the table below.

Table C-7: Audit Office contracts 2018-19

Contract Number	Contract Title	Contractor Name	Contract Amount GST Inclusive	Execution Date	Expiry Date
M18-10-02	Computer Information Systems Audit Services	Axiom Associates	\$81,972	05-Feb-19	31-Jul-19
M19/05-1	Financial Statement Auditors	Deloitte	\$191,004	03-Apr-19	20-Sep-19
M19/10-2	Actuarial Services for ACT Audit Office	Cumpston Sarjeant Pty Ltd	\$35,300	15-May-19	08-May-21
PA18/03	Performance Audit Services	Synergy Group Australia Pty Ltd	\$33,412	05-Oct-18	14-Dec-18
PA18/08	Performance Audit Services	MCGARATHNI COL ADVISORY	\$45,787.5	19-Sep-18	21-Dec-18
PA19/02	Performance Audit Services	Axiom Associates	\$107,030.5	16-May-19	01-Nov-19
PA19/06	Performance Audit Services	Synergy Group Australia Pty Ltd	\$59,400	20-May-19	09-Aug-19

Source: ACT Government Contracts Register

Note: All contracts entered into by the Audit Office during 2018-19 with a value of \$25,000 or above were procured via three quotes. There was no exemption from Quotation and Tender threshold requirements.

Secure local jobs code requirements were not applicable to any of the contracts the Audit Office entered into in 2018-19.

C.6 Statement of performance

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2019

STATEMENT OF RESPONSIBILITY

In my opinion, the Statement of Performance is in agreement with the ACT Audit Office's records and fairly reflects the operational performance of the ACT Audit Office for the year ended 30 June 2019.

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

Michael Harris
Auditor-General

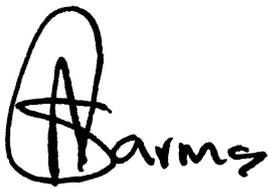
30 July 2019

ACT AUDIT OFFICE

**STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2019**

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the Statement of Performance is in agreement with the ACT Audit Office's records and fairly reflects the operational performance of the ACT Audit Office for the year ended 30 June 2019.

A handwritten signature in black ink, consisting of a large, stylized capital letter 'A' followed by the name 'Sharma' in a cursive script.

Ajay Sharma FCA
Chief Finance Officer

30 July 2019

Limited Assurance Report

charterpoint.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2019

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

Conclusion

I have undertaken a limited assurance engagement on the statement of performance of the ACT Audit Office for the year ended 30 June 2019.

Based on the procedures performed and evidence obtained, nothing has come to my attention to indicate the results of the accountability indicators reported in the statement of performance for the year ended 30 June 2019 are not in agreement with the ACT Audit Office's records or do not fairly reflect, in all material respects, the performance of the ACT Audit Office, in accordance with the *Financial Management Act 1996*.

Basis for conclusion

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

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

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

Responsibility for preparing and fairly presenting the statement of performance

The Auditor-General is responsible for:

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

Responsibility for the limited assurance engagement of the statement of performance

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

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

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

Charterpoint Pty Ltd PO Box 3071 Manuka ACT 2603 P 02 6162 3474 F 02 6162 1899 ABN 17 160 453 994 www.charterpoint.com.au

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Limited Assurance Report (Continued)

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Limitations on the scope

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

This limited assurance engagement does not provide assurance on the:

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



Adrian Kelly
Registered Company Auditor

Dated this 30th day of July 2019

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2019

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

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

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

Accountability indicators	Note No.	2018-19 Target	2018-19 Actual	Variance from target
Costs				
Audit cost per hour excluding audit contractor costs	1	\$158	\$171	8%
Quantity				
Number of audit reports issued on financial statements and compliance audits reports	2	59	58	(2%)
Number of reports of factual findings issued on statements of performance	3	26	26	0%
Number of performance audit reports presented to the ACT Legislative Assembly	5	7	7	0%

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

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2019

Accountability indicators	Note No.	2018-19 Target	2018-19 Actual	Variance from target
Quality and effectiveness				
Percentage of agencies satisfied with financial and compliance audits	6	95%	100%	5%
Percentage of agencies satisfied with performance audits	7	95%	100%	5%
Percentage of recommendations accepted in financial audits	8	95%	89%	(6%)
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	9	80%	100%	25%
Percentage of employees that are satisfied with working for the ACT Audit Office	10	85%	81%	(5%)
Timeliness				
Percentage of financial audits completed within the required timetable	11	100%	91%	(9%)
Average period of completion of performance audits	12	7.0 months	7.3 months	4%
Presentation of summary reports on financial audits to the ACT Legislative Assembly				
1. Financial Audits – Overview		Nov 2018	Nov 2018	0%
2. Financial Audits – Financial Results and Audit Findings		Dec 2018	Dec 2018	0%
3. Financial Audits – Computer Information Systems		Apr 2019	Apr 2019	0%

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 1. Audit cost per hour excluding audit contractor costs

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

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

The 2018-19 target of \$158 was calculated as budgeted total expenses minus audit contractor costs for 2018-19 (i.e. \$7 153 000 minus \$1 055 000 equals \$6 098 000) divided by the estimated number of hours to be charged to audits and related activities in 2018-19 (38 652 hours).

The estimated number of hours to be charged to audits and related activities in 2018-19 (38 652 hours) was calculated as the total number of standard hours for the budgeted number of full-time equivalent staff for 2018-19 (1 921 standard hours per full-time equivalent multiplied by 35.3 full-time equivalent staff equals 67 811 total standard hours) multiplied by an average of the percentage of standard hours charged to audits and related activities during the last three reporting periods (57 percent).

Actual audit costs per hour, excluding audit contractor costs, of \$171 was calculated as the actual internal costs of \$6 023 000 (i.e. actual total expenses of \$7 076 000 minus audit contractor costs of \$1 053 000) divided by the actual number of hours charged to audits for 2018-19 of 35 278 hours.

The audit cost per hour, excluding audit contractor costs, of \$171 was higher than the targeted cost of \$158.

The increase in cost was due to a range of factors including less than anticipated hours spent on performance audits and more hours spent on corporate tasks such as training and development.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 2. Number of audit reports issued on financial statements and compliance audit reports

The Audit Office met its reporting obligations by issuing an audit report on financial statements or a report of factual findings whenever a report was required.

The number of audit reports issued on financial statements and compliance audit reports in 2018-19 (58) was only slightly lower than the 2018-19 target (59). One acquittal audit was not completed as the agency advised that this audit is not required until 2019-20.

A listing of the audit reports issued on financial statements during 2018-19 is provided in Note 4.

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

The number of reports of factual findings provided on statements of performance in 2018-19 (26) was as per the 2018-19 target (26).

A listing of the reports of factual findings issued on statements of performance during 2018-19 is provided in Note 4.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 4. Number of audit reports and reports of factual findings issued in 2018-19

This table below shows the audit reports and reports of factual findings that were issued in the period from 1 July 2018 to 30 June 2019.

No.		Audit reports	No.	Reports of factual findings
	Territory financial statements			
1	Consolidated Annual Financial Statements	Unqualified	-	Not applicable
	Directorates			
2	ACT Executive	Unqualified	-	Not applicable
3	ACT Local Hospital Network Directorate	Unqualified	1	Unqualified
4	ACTION	Unqualified	2	Unqualified
5	Chief Minister, Treasury and Economic Development Directorate	Unqualified	3	Unqualified
6	Community Services Directorate	Unqualified	4	Unqualified – Negative finding due to not measuring a result for an accountability indicator in Output 2.4
7	Education Directorate	Unqualified	5	Unqualified
8	Environment, Planning and Sustainable Development Directorate	Unqualified	6	Unqualified
9	Health Directorate	Unqualified	7	Unqualified
10	Housing ACT	Unqualified	8	Unqualified
11	Justice and Community Safety Directorate	Unqualified	9	Unqualified
12	Lifetime Care and Support Fund	Unqualified	10	Unqualified
13	Office of the Legislative Assembly	Unqualified	-	Not applicable
14	Superannuation Provision Account	Unqualified	11	Unqualified
15	Transport Canberra and City Services Directorate	Unqualified	12	Unqualified
16	Territory Banking Account	Unqualified	13	Unqualified

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 4. Number of reports and reports of factual findings issued in 2018-19 (continued)

No.		Audit reports	No.	Reports of factual findings
	Authorities			
17	ACT Building and Construction Industry Training Fund Authority	Unqualified	14	Unqualified
18	ACT Compulsory Third-Party Insurance Regulator	Unqualified	15	Unqualified
19	ACT Electoral Commission	Unqualified	-	Not applicable
20	ACT Gambling and Racing Commission	Unqualified	16	Unqualified
21	ACT Insurance Authority	Unqualified	17	Unqualified
22	ACT Long Service Leave Authority	Unqualified	18	Unqualified
23	ACT Public Cemeteries Authority	Unqualified	19	Unqualified
24	Canberra Institute of Technology	Unqualified	20	Unqualified
25	City Renewal Authority	Unqualified	21	Unqualified
26	Cultural Facilities Corporation	Unqualified	22	Unqualified
27	Independent Competition and Regulatory Commission	Unqualified	23	Unqualified
28	Legal Aid Commission (ACT)	Unqualified	24	Unqualified
29	Public Trustee and Guardian	Unqualified	25	Unqualified
30	Suburban Land Agency	Unqualified	26	Unqualified
31	University of Canberra	Unqualified	-	Not applicable
	Territory-owned corporations and other companies			
32	CIT Solutions Pty Limited	Unqualified	-	Not applicable
33	Community Housing Canberra Limited	Unqualified	-	Not applicable
34	Icon Water Limited	Unqualified	-	Not applicable
35	Icon Distribution Investments Limited	Unqualified	-	Not applicable
36	Icon Retail Investments Limited	Unqualified	-	Not applicable
37	UCU Ltd	Unqualified	-	Not applicable
	Joint ventures and partnerships			
38	ActewAGL Distribution Partnership	Unqualified	-	Not applicable
39	ActewAGL Joint Venture Special Purpose Financial Report	Unqualified	-	Not applicable
40	ActewAGL Retail Partnership	Unqualified	-	Not applicable
41	ActewAGL Summary Financial Report	Unqualified	-	Not applicable
42	West Belconnen Joint Venture	Unqualified	-	Not applicable

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 4. Number of reports and reports of factual findings issued in 2018-19 (continued)

No.		Audit reports	No.	Reports of factual findings
	Other audits			
43	ACT Veterinary Surgeons Board	Unqualified	-	Not applicable
44	Canberra Business Development Fund	Unqualified	-	Not applicable
45	Capital Region Community Foundation Gift Fund	Unqualified	-	Not applicable
46	Capital Region Community Foundation Open Fund	Unqualified	-	Not applicable
47	Commonwealth Funding under the <i>National Land Transport Act 2014</i> – Black Spot Projects	Unqualified	-	Not applicable
48	Commonwealth Funding under the <i>National Land Transport Act 2014</i> – National Projects	Unqualified	-	Not applicable
49	Commonwealth Funding under the <i>National Land Transport Act 2014</i> – Roads to Recovery	Unqualified	-	Not applicable
50	Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> – Expenditure Statement	Unqualified	-	Not applicable
51	Commonwealth Funding under the <i>Interstate Road Transport Act 1985</i> – Revenue Statement	Unqualified	-	Not applicable
52	Default Insurance Fund	Unqualified	-	Not applicable
53	Gungahlin Cemetery, Hall Cemetery, Woden Cemetery and Woden Mausoleum Perpetual Care Trusts	Unqualified	-	Not applicable
54	National Health Funding Pool – Australian Capital Territory State Pool Account	Unqualified	-	Not applicable
55	Office of the Nominal Defendant of the ACT	Unqualified	-	Not applicable
56	Public Trustee and Guardian – Trust Account	Unqualified	-	Not applicable
57	University of Canberra Research Income Return	Unqualified	-	Not applicable
	Compliance audit			
58	Public Trustee and Guardian - Compliance with the <i>Public Trustee Ancillary Guidelines 2011</i>	Unqualified	-	Not applicable

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 5. Number of performance audit reports presented to the ACT Legislative Assembly

The following seven performance audit reports were presented to the ACT Legislative Assembly in 2018-19.

- ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour (Report No.9/2018).
- Total Facilities Management procurement (Report No.1/2019).
- Recognition and implementation of obligations under the *Human Rights Act 2004* (Report No.2/2019).
- Access Canberra business planning and monitoring (Report No.3/2019).
- Management of the System-Wide Data Review implementation program (Report No.5/2019).
- ICT strategic planning (Report No.6/2019).
- Referral processes for the support of vulnerable children (Report No.7/2019).

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 6. Percentage of agencies satisfied with financial and compliance audits

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

A survey of reporting agencies is conducted to rate their satisfaction with financial audits and a compliance audit completed in 2018-19. This percentage is calculated as the number of reporting agencies that provide a satisfactory or better rating divided by the number of agencies that responded to the survey.

While 58 audits were completed in 2018-19, 41 satisfaction surveys were issued as some satisfaction surveys cover multiple audits (e.g. the Icon Water group, ActewAGL Joint Venture, Public Trustee for the ACT and ACT Public Cemeteries Authority). No surveys were issued for the several small Commonwealth grant acquittal audits.

The Audit Office received survey responses from 38 (93 percent) of the 41 reporting agencies surveyed.

Satisfaction rating	Number of responses	%
Satisfied		
Very good	18	47
Good	18	47
Satisfactory	2	6
Sub-total	38	100
Not satisfied		
Poor	0	0
Very poor	0	0
Sub-total	0	0
Total	38	100

Source: Agency satisfaction surveys

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

**Note 6. Percentage of agencies satisfied with financial and compliance audits
(continued)**

The percentage of reporting agencies satisfied with financial audits (100 percent) exceeded the target (95 percent) with 94 percent (36 of 38) of respondents to the survey rating the Audit Office's performance as 'good' or 'very good'.

Comments provided by respondents were generally positive and indicated high levels of satisfaction with the professional and constructive way in which audits were conducted. Comments provided by respondents included:

We are appreciative of the professionalism and experience shown by the auditors. The auditors were open in their communication with us and this enabled us to have a good working relationship with them.

I was impressed by the professionalism and the collaborative approach of the Audit Office staff and their willingness to provide information and explanation to ensure the process went smoothly.

The audit was better planned and executed more efficiently.

Some reporting agencies identified areas for improvement. Comments provided by reporting agencies included:

Undertake audit planning procedures earlier in the financial year...

Where some matters may take some time to walk through and resolve...it is recommended where possible, bringing forward some queries earlier in the process rather than towards the end of the fieldwork process.

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 7. Percentage of agencies satisfied with performance audits

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

A survey of agencies subjected to a performance audit is performed to rate their satisfaction with performance audits completed during 2018-19.

This percentage is calculated as the number of agencies that provide a satisfactory or better than satisfactory rating divided by the number of audited agencies that responded to the survey.

The Audit Office received responses for 7 (70 percent) of the 10 surveys sent.

Satisfaction rating	Number of responses	%
Satisfied		
Very good	2	29
Good	4	57
Satisfactory	1	14
Sub-total	7	100
Not satisfied		
Poor	0	0
Very poor	0	0
Sub-total	0	0
Total	7	100

Source: Agency satisfaction surveys

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 7. Percentage of agencies satisfied with performance audits (continued)

The percentage of agencies satisfied with performance audits (100 percent) slightly exceeded the target (95 percent), with 86 percent (6 of 7) of respondents to the survey rating the Audit Office's performance as 'good' or 'very good'.

The Audit Office received positive comments in the survey responses from audited agencies, some of which indicated satisfaction with, and endorsement of, Audit Office processes associated with the preparation of reports for tabling and the quality of performance report. Comments provided by respondents included:

I wish to thank the ACT Audit Office and staff for their engagement and final report.

Overall...found the process to be good.

Two respondents also identified areas for improvement. Comments provided by respondents included:

Increasingly we operate as one government in the ACT, and we like to ensure our feedback on draft audit reports, particularly those of relevance to all directorates, are coordinated across government.... We suggest a response timeframe of 4-6 weeks would be required to achieve this level of engagement.

...the time provided to the directorate to review and respond to the draft report was only 10 days. This was very tight....

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 8. Percentage of recommendations accepted in financial audits

This accountability indicator provides information on the level of acceptance with recommendations made in financial audits conducted by the Audit Office.

This percentage is calculated as the number of financial audit recommendations accepted by reporting agencies in audit management reports issued in 2018-19, divided by the number of recommendations made in these reports.

In measuring a result for this accountability indicator, 'partial agreements', 'agreed-in-principle' and 'noted' responses provided by reporting agencies to audit recommendations are excluded from the count of 'accepted' recommendations.

Reporting agencies accepted 89 percent (131 of 147) of the recommendations made by the Audit Office in 2018-19. This is slightly higher than the 85 percent accepted last year but lower than the target acceptance rate of 95 percent.

The lower than expected result is due to five percent (8 of 147) of the audit recommendations being 'partially agreed' and three percent (4 of 147) being 'agreed-in-principle'. Only three percent (4 of 147) of the recommendations were 'not agreed' or 'noted' by reporting agencies.

Note 9. Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity

This accountability indicator provides information on whether the performance audit will help improve administration of the audited activity. A survey of audited agencies subjected to a performance audit was performed to rate their satisfaction with performance audits completed in 2018-19.

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 9: Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity (continued)

The Audit Office received responses for 7 (70 percent) of the 10 surveys sent.

Agency rating	Number of responses	%
Ratings		
Strongly agree	3	43
Agree	4	57
Sub-total	7	100
Strongly disagree	0	0
Disagree	0	0
Sub-total	0	0
Neither agree nor disagree	0	0
Unsure	0	0
Sub- total	0	0
Total	7	100

Source: Agency satisfaction surveys

All responses received indicated that agencies 'agree' or 'strongly agree' that 'the audit will help to our organisation to improve administration of the audited activity'. This is higher than the target of 80 percent.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 10. Percentage of employees that are satisfied with working for the ACT Audit Office

This accountability indicator provides information on staff satisfaction.

An annual staff survey is conducted to measure staff satisfaction. Survey questions cover many aspects of the Audit 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.

The results of the 2019 Staff Survey are shown below.

Employee rating	No. of responses	%
Satisfied		
Strongly agree	7	33
Agree	10	48
Sub-total	17	81
Not satisfied		
Neither agree or disagree	2	9.5
Disagree	2	9.5
Strongly disagree	-	-
Sub-total	4	19
Total	21	100

Source: 'Report on the ACT Audit Office – 2019 Staff Survey' dated 1 April 2019 prepared by Reilly Associates. The Staff Survey is conducted anonymously.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 10. Percentage of employees that are satisfied with working for the ACT Audit Office (continued)

Twenty one (60 percent) of the 35 staff responded to the survey question **'Overall, I am satisfied with my job'** with 81 percent indicating that they were satisfied with working for the Audit Office.

The survey showed most staff have a clear understanding of how their role contributed to the Office and that the Office values workplace diversity. Staff advised they received training and development that met their learning needs. Staff also have confidence in the Executive and Management to lead and manage the Office.

Staff suggestions for improvement made in the survey responses relate to areas, such as, communication and accommodation. These are discussed and resolved via the Office Consultative Committee.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 11. Percentage of financial audits completed within the required timetable

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

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

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

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

In 2018-19, the Audit Office completed 91 percent (53 of 58) of the financial audits within the required timetable. Four of the five audits experienced a minor delay (up to seven days) because the relevant agencies provided their certified financial statements to the Audit Office later than planned. Despite this delay, the audits were completed in time for these reporting agencies to meet their statutory reporting timeframe.

One audit was delayed by three months as the agency required additional time to obtain information to support the valuation of investments recorded in their financial statements.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 12. Average period of completion of performance audits

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

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

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

Report	Months
1. ACT Health's management of allegations of misconduct and complaints about inappropriate workplace behaviour (Report No.9/2018)	4.4
2. Total Facilities Management procurement (Report No.1/2019).	4.0
3. Recognition and implementation of obligations under the <i>Human Rights Act 2004</i> (Report No.2/2019)	5.1
4. Access Canberra business planning and monitoring (Report No.3/2019)	7.1
5. Management of the System-Wide Data Review implementation program (Report No.5/2019)	3.8
6. ICT strategic planning (Report No.6/2019)	9.5
7. Referral processes for the support of vulnerable children (Report No.7/2019)	17.2
Average period of completion of performance audits	7.3

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance

Year Ended 30 June 2019

Note 12. Average period of completion of performance audits (continued)

The average time to complete a performance audit will vary due to the size and complexity of the audit and circumstances under which the audit is performed.

The average period of completion of performance audits during 2018-19 was 7.3 months compared to the target of 7 months. Four of the seven performance audits were completed in around five months or less and one only slightly exceeded seven months.

Only two audits significantly exceeded the seven month timeframe. One audit (ICT Strategic Planning (Report No.6/2019)) exceeded the target by two and a half months as this audit required fieldwork and consultation across all directorates which added time and complexity to the audit.

The second audit (Referral processes for the support of vulnerable children (Report No.7/2019)) exceeded the target by around 10 months as it involved a complex subject matter and was impacted by the departure of senior staff.

Such delays highlight the challenge of completing audits with a small performance audit team.

APPENDIX A: FINANCIAL AUDIT FEES

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

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

Estimates of financial audit fees are mainly based on information on the time taken and costs incurred in completing audits in recent years while taking into account known factors that would cause significant changes to the cost of audits. These include changes to:

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

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

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

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

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

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

Table 1: Summary of financial audit fees

	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Territory's financial statements (refer Table 2)	143 497	151 893
Directorates (refer Table 2)	2 084 114	2 159 594
Statutory authorities (refer Table 3)	1 021 966	1 046 582
Territory-owned corporations and companies (refer Table 4)	362 885	389 468
Joint ventures and partnerships (refer Table 5)	321 474	331 474
Other audits (refer Table 6)	168 051	162 852
Total financial audit fees	4 101 987	4 241 863

Source: Audit Office records

Table 1 shows that audit fees are estimated to increase slightly by \$139 876 (3 percent) from \$4 101 987 in 2017-18 to \$4 241 863 in 2018-19.

Financial audit fees charged to agencies are presented in Tables 1 to 6 of this Appendix. These fees vary from that reported in the Audit Office's financial statements because the financial statements include amounts owed to the Audit Office at the end of each reporting period covered by the financial statements.

Explanations for fee variations of ten percent or more on individual audits are provided after Table 6 in this Appendix.

Estimated financial audit fees (excluding GST) shown for 2018-19 are for audits with reporting periods ending 31 December 2018 and 30 June 2019.

Further information can be obtained from:

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

	Note No.	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Territory's financial statements			
Territory's consolidated annual financial statements		143 497	151 893
Total		143 497	151 893
Directorates			
Chief Minister, Treasury and Economic Development Directorate		404 486	391 042
Community Services Directorate		115 241	116 338
Education Directorate		143 538	145 485
Electoral Commission		33 027	34 018
Environment, Planning and Sustainable Development Directorate		153 411	155 653
ACT Executive		26 508	27 303
Canberra Health Services (previously Health Directorate in 2017-18)	1	199 345	115 000
ACT Health Directorate	2	-	107 775
ACTION		132 324	132 753
Housing ACT		125 704	113 519
Justice and Community Safety Directorate		234 373	239 044
ACT Local Hospital Network Directorate		53 930	55 476
Lifetime Care and Support Fund		45 304	46 636
Office of the Legislative Assembly		43 124	44 418
Public Sector Workers Compensation Fund Directorate	3	-	53 500
Superannuation Provision Account		54 969	51 509
Territory Banking Account		41 627	42 876
Transport Canberra and City Services Directorate		277 203	287 249
Total		2 084 114	2 159 594

Explanatory notes are provided after Table 6 in this Appendix

Table 3: Financial audit fees – statutory authorities

	Note No.	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Statutory authorities			
Building and Construction Industry Training Fund Authority		21 212	21 848
Canberra Institute of Technology		134 215	138 241
ACT Compulsory Third Party Insurance Regulator		18 200	18 746
Cultural Facilities Corporation		51 769	53 322
Gambling and Racing Commission		44 028	45 349
Independent Competition and Regulatory Commission		27 069	27 881
ACT Insurance Authority		53 673	55 279
Suburban Land Agency		144 445	146 061
City Renewal Authority		49 050	49 500
Legal Aid Commission		49 567	51 054
Long Service Leave Authority		56 251	55 639
ACT Public Cemeteries Authority		76 553	78 850
Public Trustee and Guardian - Office Account		40 355	41 566
University of Canberra		255 579	263 246
Total		1 021 966	1 046 582

Explanatory notes are provided after Table 6 in this Appendix

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

	Note No.	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Territory-owned corporations and companies			
CIT Solutions Pty Limited		33 360	34 360
Community Housing Canberra Limited		49 343	50 823
Icon Water Limited	4	208 740	231 245
Icon Water Distribution Investments Limited		15 119	15 300
Icon Water Retail Investments Limited		15 119	15 300
UCU Ltd		41 204	42 440
Total		362 885	389 468

Explanatory notes are provided after Table 6 in this Appendix

Table 5: Financial audit fees – joint ventures and partnerships

	Note No.	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Joint ventures and partnerships			
ActewAGL Joint Venture		301 474	301 474
West Belconnen Joint Venture	5	20 000	30 000
Total		321 474	331 474

Explanatory notes are provided after Table 6 in this Appendix

Table 6: Financial audit fees – other audits

	Note No.	2017-18 Actual Audit Fees \$	2018-19 Estimated Audit Fees \$
Other audits			
National Health Funding Pool		21 525	22 171
ACT Veterinary Surgeons Board	6	6 000	-
Canberra Business Development Fund		14 106	14 529
Capital Region Foundation Gift Fund		3 280	3 378
Capital Region Foundation Open Fund		3 280	3 378
Commonwealth Funding for Roads Program (several small grant acquittal audits)		19 539	20 125
Default Insurance Fund		28 794	29 635
Nominal Defendant		28 433	29 249
Public Trustee and Guardian - compliance by the Public Trustee and Guardian with the <i>Public Ancillary Fund Guidelines 2011</i>		5 190	5 346
Public Trustee and Guardian - Trust Account		33 326	30 326
University of Canberra Research Income Return		4 578	4 715
Total		168 051	162 852

Explanatory notes

- Note 1: Audit fees for Canberra Health Services (previously Health Directorate in 2017-18) were reduced due to administrative arrangements. Functions for strategic policy and population health were transferred to the ACT Health Directorate from 1 October 2018. Canberra Health Services retained the functions to provide health services to the Territory. Audit fees are based on the expected number of hours required to complete the audit work after assessing the size of operations. The combined audit fee (\$222 775) for Canberra Health Services (\$115 000) and the ACT Health Directorate (\$107 775) was more than the audit fee for the Health Directorate (\$199 345) in 2017-18 due the increase in time and cost of Audit Office staff to complete two audits compared to one audit.
- Note 2: New audit for 2018-19. As detailed in Note 1, ACT Health Directorate was established due to administrative arrangements from 1 October 2018. Audit fees are based on the expected number of hours required to complete the audit work after assessing the size of operations.
- Note 3: New audit for 2018-19. Audit fees are based on the expected number of hours required to complete the audit work after assessing the size of operations.
- Note 4: Audit fees were increased to recover the contractor cost for the review of controls over Icon Water's new works and asset management system.
- Note 5: Audit fees were increased to recover costs of the audit due to an increase in the operations of the Joint Venture.
- Note 6: Audit was not required in 2018-19 as this audit is conducted every three years. The next audit is scheduled for 2020-21.

APPENDIX B: COMPLIANCE INDEX

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Source: Audit Office records

Note 1: There were no instances of non-compliance with laws and regulations by the Audit Office.

Note 2: Secure local jobs code requirements were not applicable to any of the contracts the Audit Office entered into in 2018-19.

Note 3: The Audit Office is excluded from the ACT Ombudsman's jurisdiction as it is not a prescribed authority in the Ombudsman Regulation 1989, which are made under the Ombudsman Act 1989.

APPENDIX C: AUDIT OFFICE REPORTS

Reports Published in 2018-19	
Report No.07 – 2019	Referral processes for the support of vulnerable children
Report No.06 – 2019	ICT strategic planning
Report No.05 – 2019	Management of the System-Wide Data Review implementation program
Report No.04 – 2019	2017-18 Financial Audits Computer Information Systems
Report No.03 – 2019	Access Canberra business planning and monitoring
Report No.02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No.01 – 2019	Total Facilities Management procurement
Report No.09 – 2018	ACT Health’s management of allegations of misconduct and complaints about inappropriate workplace behaviour
Reports Published in 2017-18	
Report No. 08 – 2018	Assembly of rural land west of Canberra
Report No. 07 – 2018	Five ACT public schools’ engagement with Aboriginal and Torres Strait Islander students, families and community
Report No. 06 – 2018	Physical Security
Report No. 05 – 2018	ACT clubs’ community contributions
Report No. 04 – 2018	2016-17 Financial Audits – Computer Information Systems
Report No. 03 – 2018	Tender for the sale of block 30 (formerly block 20) Section 34 Dickson
Report No. 02 – 2018	ACT Government strategic and accountability indicators
Report No. 01 – 2018	Acceptance of Stormwater Assets
Report No. 10 – 2017	2016-17 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2017	2016-17 Financial Audits – Overview
Report No. 08 – 2017	Selected ACT Government agencies’ management of Public Art
Reports Published in 2016-17	
Report No. 07 – 2017	Public Housing Renewal Program
Report No. 06 – 2017	Mental Health Services – Transition from Acute Care
Report No. 05 – 2017	Maintenance of Selected Road Infrastructure Assets
Report No. 04 – 2017	Performance information in ACT public schools
Report No. 03 – 2017	2015-16 Financial Audits – Computer Information Systems
Report No. 02 – 2017	2016 ACT Election
Report No. 01 – 2017	WorkSafe ACT’s management of its regulatory responsibilities for the demolition of loose-fill asbestos contaminated houses
Report No. 11 – 2016	2015-16 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2016	2015-16 Financial Audits – Audit Reports
Report No. 09 – 2016	Commissioner for International Engagement – Position Creation and Appointment Process

Report No. 08 – 2016	Annual Report 2015-16
Report No. 07 – 2016	Certain Land Development Agency Acquisitions
Reports Published in 2015-16	
Report No. 06 – 2016	Management and administration of credit cards by ACT Government entities
Report No. 05 – 2016	Initiation of the Light Rail Project
Report No. 04 – 2016	The management of the financial arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
Report No. 03 – 2016	ACT Policing Arrangement
Report No. 02 – 2016	Maintenance of Public Housing
Report No. 01 – 2016	Calvary Public Hospital Financial and Performance Reporting and Management
Report No. 10 – 2015	2014-15 Financial Audits
Report No. 09 – 2015	Public Transport: The Frequent Network
Report No. 08 – 2015	Annual Report 2014-15

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