

ACT AUDITOR-GENERAL'S REPORT

**ANNUAL REPORT 2014-15**

REPORT NO. 8 / 2015

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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.

ACT Audit Office undertakes audits on financial statements of Government agencies, and the whole-of-Government 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.

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

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Mrs Vicki Dunne MLA  
Speaker  
Legislative Assembly for the ACT  
London Circuit  
CANBERRA ACT 2601

Dear Madam Speaker

The Annual Report of the ACT Audit Office for the year ended 30 June 2015 is attached. It has been prepared to fulfil the requirements of section 6(2)(b) of the *Annual Report (Government Agencies) Act 2004* relating to Officers of the Legislative Assembly.

Section 8(2) of the Act advises that an annual report direction does not apply to Officers of the Legislative Assembly. However, this report respects the directions outlined in the *Annual Reports (Governance Agencies) Notice 2015*.

I certify that this Annual Report is an honest and accurate account of the management of the Audit Office during the period from 1 July 2014 to 30 June 2015.

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

Yours sincerely



Dr Maxine Cooper  
Auditor-General  
12 October 2015



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## List of abbreviations and glossary

ACAG	Australasian Council of Auditors-General
A-G Act	<i>Auditor-General Act 1996</i>
Assembly	Legislative Assembly for the ACT
ASPIRE	Auditing Systems by Planning, Implementation, Reporting & Evaluation
Audit Office	ACT Audit Office
Auditees	ACT Government agencies and other entities subject to audit by the Auditor-General
CO <sub>2</sub>	Carbon dioxide
CO <sub>2</sub> -e	Carbon dioxide equivalent
ESD	Ecologically sustainable development
ESP	Enterprise Sustainability Platform
FTE	Full-time equivalent(s)
FOI	Freedom of Information
GEHU	Gastroenterology and Hepatology Unit (of the Canberra Hospital)
ICRC	Independent Competition and Regulatory Commission
Kwh	Kilowatt-hour
MLAs	Members of the Legislative Assembly
PAC	Public Accounts Committee
PAMPr	Performance Audit Methods and Practices
PID	Public Interest Disclosure
PID Act	<i>Public Interest Disclosure Act 2012</i>
SEAs	Special Employment Arrangements
PASAI	Pacific Association of Supreme Audit Institution
SERBIR	Senior Executive Responsible for Business Integrity Risk
Strategic Plan	ACT Audit Office Strategic Plan 2015-2018



# A PERFORMANCE REPORTING

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## A.1 Organisational overview

The Auditor-General is a statutory position under the *Auditor-General Act 1996* (A-G Act). As of 8 July 2014 the Auditor-General became an Officer of the Legislative Assembly of the ACT which reinforced the independence of the position and its connection with the Legislative Assembly.

The Audit Office supports the Auditor-General in providing independent advice to the community, through the Legislative Assembly, primarily by undertaking audits of ACT Public Service agencies or those entities in receipt of ACT Government funding or resources. The Auditor-General's role is an important means whereby the ACT Government and its agencies are held to account and improvements identified to enhance practices and performance.

The functions and powers of the Auditor-General and the Audit Office are contained in the A-G Act.

### A.1.1 Vision, role and values

The Audit Office's *Strategic Plan 2015-2018* (Strategic Plan) sets out the vision, role, and values of the Audit Office and also defines the Office's objectives. It is available on the Office's website ([www.audit.act.gov.au](http://www.audit.act.gov.au)).

The Audit Office's vision is to have 'an accountable and highly performing ACT public sector'.

The role of the Audit Office is to:

- provide an independent view to the Legislative Assembly and the community on accountability, efficiency and effectiveness of the public sector;
- foster accountability in the public administration of the Territory; and
- promote efficiency, effectiveness and value for money expenditure in the Territory's delivery of services and programs.

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

- *independence* – impartial and evidence-based reporting is our most powerful influence;
- *integrity* – we are honest, truthful and fair;

## A: Performance reporting

- *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.

The Audit Office's core values are similar to those of the ACT Public Service. A point of difference relates to the ACT Public Service value of *collaboration*. The Audit Office also places significant value on collaborative approaches in undertaking its work, where this is possible. However, in the Audit Office context, it is necessary to give priority to the core value of *independence*. The independence of the Auditor-General and the quality and objectivity of the Audit Office's work form the foundation of the Office's standing and reputation.

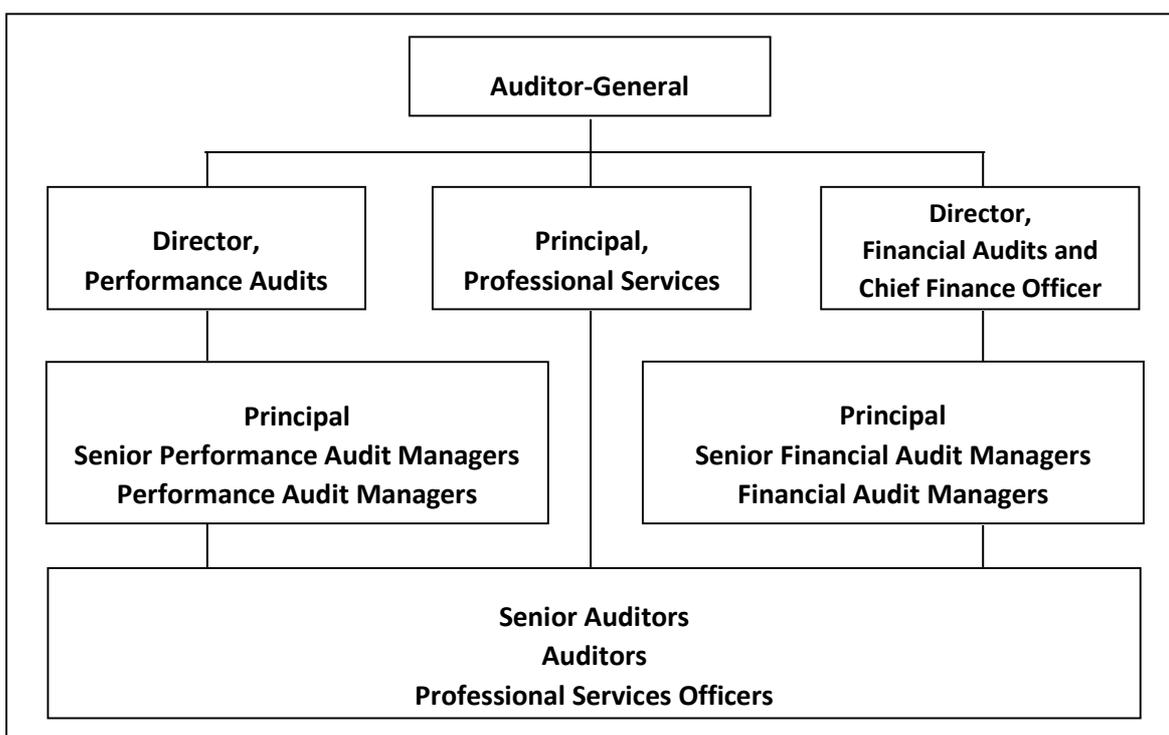
### A.1.2 Organisation

The Audit Office consists of the following functional areas:

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

The following figure shows the organisational structure of the Audit Office for 2014-15.

**Figure A.1: Organisational structure as at 30 June 2015**



Source: Audit Office records

The Audit Office's Executive during the 2014-15 reporting year were:

- Dr Maxine Cooper, Auditor-General;
- Mr Bernie Sheville, Director, Financial Audits and Chief Finance Officer; and
- Mr Brett Stanton, Director, Performance Audits.

### A.1.3 Performance and outlook

#### A.1.3.1 Independence

The A-G Act provides, among other things, a statutory mandate for financial and performance audits of public sector agencies. Provisions in the A-G Act facilitate the effective conduct of audits by supporting the Auditor-General's independence including through providing that the Auditor-General is not subject to direction by the Executive or any Minister in the exercise of the Auditor-General's functions.

In 2014, provisions to strengthen this independence were added to the A-G Act including:

- the Act now states that the Auditor-General is an independent Officer of the Legislative Assembly, a title that symbolises the position's unique relationship with the Assembly. The Auditor-General was sworn in as an Officer of the Legislative Assembly on 8 July 2014;
- the appointment, suspension and retirement of the Auditor-General are to be done by the Speaker of the Legislative Assembly, with specified conditions on these processes; and
- Audit Office staff are not subject to direction from anyone other than the Auditor-General or another member of the Audit Office authorised by the Auditor-General.

Although independence is enshrined in legislation, this by and of itself, cannot deliver the desired outcome of independent audit opinions and reports. Attestations of independence by individual auditors, which are required under professional standards, also contribute. Also required is a commitment by Audit Office staff to an independent spirit in the conduct of audits and the reporting thereon. The ability to do this is tested at recruitment and encouraged by continual support through professional development activities supported by the Office's learning and development program. There is also an emphasis in living the values of the Audit Office.

### A.1.3.2 Integrity

The Audit Office's value of integrity – that we are honest, truthful and fair – is achieved primarily through the quality of the people we recruit and is continually re-enforced through internal communication.

To provide assurance of integrity, we regularly review audits; through quality assurance and quality control processes. There is also a program of internal audits governed by the Audit and Review Committee. In addition to senior officers from Performance Audit and Financial Audit, the Committee's membership includes two external members, who are officers from the Commonwealth Government, with one of these external members appointed as the chair of the Committee. Findings from internal audits and reviews have strengthened assurance in areas such as compliance with legislation and auditing standards in the conduct of performance audits, and the reasonableness of the Office's approach to setting audit fees for the conduct of financial audits.

In addition to the above, the Audit Office has a continuing emphasis on risk management, which is covered in Part A.4 of this report. One of the key risks in this area is the quality of its audits. To address this risk the Office routinely undertakes a self-assessment against the requirements of the quality control standards issued by the Accounting Professional and Ethical Standards Board, and the Auditing and Assurance Standards Board. The Audit Office conducts quality assurance reviews of its financial and performance audit work every year in accordance with its *Quality Control and Assurance Policy*. The recommended improvements relating to performance and financial audits are discussed under Sections A.2.3.5 and A.2.4.8 respectively.

### A.1.3.3 Professionalism

The value of professionalism includes a commitment for staff to fulfil obligations. This includes delivery of the program of financial and performance audits. The following paragraphs focus on the overall highlights and trends in relation to the audits. The details on the delivery of the program are outlined in Section A.2 'Performance analysis'.

Financial audit operations performed well with most planned results being achieved. The Audit Office issued an audit report on financial statements or report of factual findings on statements of performance in all cases where there was a requirement to do so. The Audit Office completed 75 audits and 30 reviews of statements of performance, with 85 percent of audits being completed within the required timetable. Agencies provided positive assessments on the Audit Office's performance and accepted the majority of recommendations.

The Office completed seven performance audits during 2014-15, as planned. Most auditees (83 percent) advised they were satisfied with the way performance audits were conducted. Key trends for performance audits observed during 2014-15 were the very broad range of audit topics that needed to be undertaken and their complexity.

This places considerable demands on both the Audit Office, ACT Government agencies and other entities involved with the extensive consultation required to ensure the quality of the final audit report. During 2014-15, there was a continuing trend in relation to performance audits that had a relationship to representations and/or public interest disclosures brought to the attention of the Audit Office and issues of direct interest to the Legislative Assembly. This resulted in the need to reprioritise the schedule of audits.

Changes introduced in 2014 to the A-G Act allow the Office to undertake performance audits of non-public sector entities who receive ACT Government resources, so-called 'follow the dollar' audits. During 2014-15, such an audit was commenced of the Calvary Public Hospital Financial and Performance Reporting and Management which is scheduled for release in 2015-16. The Performance Audit Program for 2015-16 (published on the Auditor-General's website ([www.audit.act.gov.au](http://www.audit.act.gov.au))) also includes several potential audits for which this provision may be employed.

Consultants and contractors will continue to be used judiciously to assist in undertaking audits, with due recognition of the need for contract management and ensuring that they deliver according to requirements.

Part of our value of professionalism is to seek to deliver services despite any adverse events, so risk management is important. For the Audit Office, a key risk arises from the small size of the Office which contributes to significant key person dependencies.

In 2014-15, the Auditor-General continued to be a member of the Australasian Council of Auditors-General (ACAG). ACAG is a forum for all Auditors-General in Australia, and some from the Pacific region, to share information. It fosters performance improvements through supporting targeted projects, such as mutual quality assurance reviews and benchmarking. ACAG sub-committees focused on financial audits, performance audits and technical and quality assurance provide opportunities for executives and senior staff to share information and work together on key issues relevant to all or most audit offices.

#### **A.1.3.4 Respect**

This value reflects the Audit Office's desire to understand and be trusted by stakeholders.

The Audit Office serves the community, through the elected representatives in the Legislative Assembly to whom it reports. Each year, there are many interactions with Members of the Legislative Assembly (MLAs). The Auditor-General and senior staff are open to engaging with all MLAs, however, engagement with the Speaker and members of the Public Accounts Committee (PAC) occurs more frequently, given their respective roles.

In 2014-15, an audit of the Sale of ACTTAB (Audit Report 7/2015) was undertaken following MLA interest and a recommendation of the Select Committee on Estimates 2014-15 that ‘the Legislative Assembly refer the sale process of ACTTAB to the ACT Auditor-General to consider a review of the sale.’

The Auditor-General offers to meet with all newly elected MLAs early in their term. The Audit Office also contributes to the Legislative Assembly Budget Seminar series, which is presented to new staff in the ACT Public Service, every year.

A survey is conducted each year to gauge MLA’s opinions of the services offered by the Audit Office. In 2014-15, the Audit Office received only a small number of responses to the survey (35% or 6 out of 17 MLAs). This meant that the results are unable to be used as a representative view of the MLA’s.

The Auditor-General makes speeches from time to time designed to improve accountability and public sector performance. For example in June 2015, the Auditor-General gave a presentation to an Institute of Internal Auditors Panel Discussion on risk management.

Members of the community make representations to the Audit Office, some of which are public interest disclosures. In 2014-15, the Audit Office received 19 representations covering a wide range of issues of concern to the ACT community and 3 public interest disclosures. The Office expects to continue to receive a significant number of representations and public interest disclosures.

Sometimes, representations or public interest disclosures become an initiating factor in the decision to conduct a performance audit or bring one forward that may be on the forward program. A performance audit tabled in 2014-15 addressed concerns raised through a public interest disclosure.

In addition to the community and MLAs, the ACT Government, its agencies and other entities who can become auditees are key stakeholders. These agencies and entities contribute through cooperation and support to the audit program – conduct of such audits would not be feasible without their support. Accordingly, engagement with stakeholders is a priority for the Audit Office. Building confidence in the audit process is achieved through consultation at key stages of an audit, and by seeking and responding openly to feedback provided by auditees. The Audit Office builds an understanding of agencies’ operations by continuing to routinely attend their internal audit committee meetings. Attendance at these meetings improves communication with agencies and informs the Office of emerging issues.

The Audit Office conducted two information seminars for auditees. One on performance auditing in June 2015 and another on financial statements auditing in May 2015. Additionally, briefings are provided to auditees when requested.

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

As reported in the Audit Office's Statement of Performance, the overall results of the 2015 staff survey were positive with 75 percent (74 percent last year) of staff advising 'overall I am satisfied with my job'.

#### **A.1.3.5 Innovation and Learning**

As discussed in Section 'A.8.3 Learning and development', the Audit Office continues to give a high priority to improving staff capabilities through its learning and development program. Under this program, staff are trained to meet technical requirements (for auditing, accounting, reporting and the use of information technology) as well as developing their knowledge of public sector issues, management and improving their communication skills. The Audit Office continued to support staff studying for tertiary and professional qualifications. The Audit Office continuously seeks to achieve efficiencies in its financial and performance audit processes.

In 2014-15, the Audit Office continued its use of subject matter experts, when appropriate, to help deliver the financial audit and performance audit program.

#### **A.1.4 Internal accountability**

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

##### **A.1.4.1 Executive Committee**

The Executive Committee is the senior group responsible for the management of the Audit Office including the implementation of the Office's risk management, business continuity and fraud prevention plans. The Committee includes the Auditor-General, Director of Financial Audits, Director of Performance Audits, Principal from Financial Audits and Principal from Professional Services, supported by the Executive Officer.

Executive members of the Committee as at 30 June 2015 were:

- Auditor-General: Dr Maxine Cooper who is responsible for carrying out functions under the A-G Act, including promoting public accountability and undertaking audits;

## A: Performance reporting

- Director, Financial Audits: Mr Bernie Sheville who is responsible for managing the Financial Audit Branch, which conducts audits of financial statements, reviews of statements of performance and fulfils the role of Chief Finance Officer; and
- Director, Performance Audits: Mr Brett Stanton who is responsible for managing the Performance Audit Branch, which conducts performance audits, and managing representations and public interest disclosures received by the Audit Office.

The Audit Office's organisational structure is shown in Figure A.1.

### A.1.4.2 Internal committees and management groups

The Executive Committee of the Audit Office is supported by a range of internal committees and management groups. Management of the Audit Office is mainly conducted through regular meetings between the executive, managers and staff. Table A.1 outlines the internal committees and management groups in the Audit Office.

**Table A.1: Internal committees and management groups**

Name	Purpose	Membership in 2014-15
Executive Committee  Meets weekly	<p>The Executive Committee is the senior group responsible for the governance of the Audit Office.</p> <p>The Committee considers strategic and operational matters, monitors the Audit Office's performance and determines the strategic and operational priorities for the Office.</p>	Chaired by Auditor-General Director, Financial Audits Director, Performance Audits Principal, Financial Audits Principal, Professional Services Executive Officer provides secretariat services
Management Committee  Meets monthly	Discusses the Audit Office's activities, reports on progress against targets and considers audit and corporate issues requiring attention.	Chaired by Principal, Professional Services Auditor-General Directors, Principals, Senior Managers and Managers Staff representatives Executive Officer provides secretariat services

Name	Purpose	Membership in 2014-15
<p>Audit and Review Committee</p> <p>Meets quarterly</p>	<p>The Committee reports directly to the Auditor-General.</p> <p>The Committee provides assurance that the Audit Office's governance, internal audit and risk management arrangements are adequate.</p> <p>The Committee considers the Audit Office's financial statements and statement of performance and monitors the implementation of relevant recommendations from internal audit reports, reports from the Risk Manager, the Office's performance audit reports and Assembly Committees' reports.</p>	<p>External Chair</p> <p>External member</p> <p>Two senior staff members one from Performance Audit and the other from Financial Audit</p> <p>The Auditor-General has a standing invitation to attend the meeting as an observer</p> <p>The Finance Officer provides secretariat services</p>
<p>Agency Security Committee</p> <p>Meets biannually</p>	<p>The Committee monitors key protective security risks and provides oversight of the Audit Office's protective security practices.</p> <p>The Committee considers reports from the Risk Manager and Security Adviser.</p>	<p>Executive Committee</p> <p>Security Adviser</p>
<p>Office Consultative Committee</p> <p>Meets quarterly</p>	<p>The Committee is a formal forum for liaison between the Office Executive and staff in the development and review of organisational policies and work practices. Through it, staff have input to such policies and practices.</p>	<p>Three staff representatives</p> <p>One representative from the Executive Committee</p> <p>A union representative may also attend</p>
<p>Financial Audit Managers meeting</p> <p>Meets fortnightly or as required</p>	<p>Considers strategic and operational matters relating to financial audit activities.</p>	<p>Chaired by Principal, Professional Services</p> <p>Director, Financial Audits</p> <p>Principal, Financial Audits</p> <p>Senior Financial Audit Managers</p>
<p>Financial Audit forum</p> <p>Meets monthly</p>	<p>Attended by financial audit staff, it considers operational and technical issues affecting financial audit activities.</p>	<p>Chaired by Director, Financial Audits</p> <p>Financial audit staff</p>
<p>Performance Audit Managers meeting</p> <p>Meets fortnightly or as required</p>	<p>Considers strategic and operational issues affecting the performance audit function.</p>	<p>Chaired by Director, Performance Audits</p> <p>Senior Performance Audit Managers</p>
<p>Performance Audit team meeting</p> <p>Meets monthly or as required</p>	<p>Considers operational issues affecting the performance audit function.</p>	<p>Chaired by Director, Performance Audits</p> <p>Performance audit staff</p>

Name	Purpose	Membership in 2014-15
Professional Services team meeting  Meets fortnightly or as required	Considers strategic and operational issues affecting the Professional Services function.	Chaired by Principal, Professional Services  Professional Services staff
Staff meetings  Monthly	A forum in which to share information and discuss Audit Office issues with all staff.	Chaired by a staff member  All staff

Source: Audit Office records

#### A.1.4.3 Key internal accountability mechanisms

An important internal accountability mechanism for the Audit Office is its Audit and Review Committee. This Committee’s membership consists of an independent (external) chair, an external member and two senior Office staff. The Committee provides assurance and assistance to the Auditor-General on the Office’s risk, control and compliance framework and its external accountability responsibilities. The activities of the Audit and Review Committee are reported in Section A.5.1.

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 in Sections A.2.3.5 and A.2.4.8, respectively.

#### A.1.4.4 Strategic and organisational planning

The Audit Office’s future corporate directions, planned outcomes and objectives are set out in the *Strategic Plan 2015-2018* (Strategic Plan). This Strategic Plan is reviewed and updated annually at the Office’s planning day, providing an opportunity for staff to participate in identifying and setting priorities for the Office in the coming years. It also provides a means of ensuring that management and staff share a common view about the Office’s objectives and areas of responsibility.

The Strategic Plan 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.

#### A.1.4.5 Executive remuneration

Executive remuneration is provided in accordance with the Determinations of 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 2006*. The Remuneration Tribunal's Determinations are available from the Tribunal's website at <http://www.remunerationtribunal.act.gov.au/>

Information on the remuneration of executives in the Audit Office is provided in 'Note 27. Related Party Disclosures' in Section B.2 'Financial statements'.

#### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## A.2 Performance analysis

### A.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. Accordingly, it does not have, or need to have, strategic indicators. It does have accountability indicators and these are included in the Audit Office's Statement of Performance and reflect the Office's vision, roles and values which are described in the Strategic Plan.

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

### A.2.2 Financial results

In 2014-15, the Audit Office incurred an operating deficit of \$327 000 compared to a budgeted operating deficit of \$31 000. The higher than expected deficit is explained in Section B.1.3 of this report. Consistent with the cost recovery nature of its operations, the Audit Office expects to generate essentially break-even operating results.

Revenue for 2014-15 of \$6.7 million largely consists of financial audit fees of \$3.9 million and appropriation funding of \$2.7 million. Other income of \$0.1 million mainly consists of interest on bank accounts and workers' compensation insurance recoveries.

The Audit Office's short and long-term financial positions remain sound.

Some continuing challenges for the Audit Office are:

- completing the planned number of performance audits given the unpredictable time and cost of these audits and costs of other activities that are dependent on funding from appropriations. These other activities include the handling of representations and public interest disclosures, the development and delivery of training in the performance audit method, and the provision of seminars to auditees; and
- meeting the tight reporting timeframes for the large program of financial audits. The Audit Office is mindful of managing its financial audits so that audit fees are appropriate. Accordingly, ongoing attention is given to identifying efficiencies in the delivery of financial audits without compromising their quality, and communicating effectively with auditees on changes to audit fees.

### A.2.3 Performance audits

Performance auditing is a primary function of the Audit Office. The objectives of a performance audit are twofold: to provide the Legislative Assembly with an independent assessment of the quality of management of public resources; and to identify and promote better management practices.

The Audit Office's performance audit reports identify areas where public services could be improved. They may include recommendations that address identified areas of concern.

The Audit Office has robust planning, topic selection and consultation processes for the annual performance audit program. The processes involve consultation with the Public Accounts Committee (PAC), Members of the Legislative Assembly (MLAs), the Head of Service and ACT Government directorates and other agencies.

The performance audit program is flexible and responsive to new and emerging issues that may arise from representations or public interest disclosures from the Legislative Assembly and broader community.

Auditees advised that they were generally satisfied with the way performance audits were conducted. Agencies' and entities' 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.

### A.2.3.1 Meeting targets

**Table A.2: Accountability indicators for performance audits**

Accountability indicators	2013-14 Actual	2014-15 Actual	2014-15 Target
Number of performance audit reports presented to the Legislative Assembly	7	7	7
Average period of completion of audits	8.4 months	9 months	7 months
Percentage of agencies satisfied with performance audits	94%	100%	95%
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	n/a	83%	80%

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

### A.2.3.2 Performance audits tabled in 2014-15

The Audit Office completed seven performance audit reports in 2014-15 which were tabled in the Legislative Assembly:

1. Debt Management (Report No. 1/2015);
2. The Rehabilitation of Male Detainees at the Alexander Maconochie Centre (Report No. 2/2015);
3. Restoration of the Lower Cotter Catchment (Report No. 3/2015);
4. ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015);
5. Integrity of Data in the Health Directorate (Report No. 5/2015);
6. Bulk Water Alliance (Report No. 6/2015); and
7. Sale of ACTTAB (Report No. 7/2015).

Of the seven audits, five (Debt Management, The Rehabilitation of Male Detainees at the Alexander Maconochie Centre, Restoration of the Lower Cotter Catchment, ACT Government Support to the University of Canberra for Affordable Student Accommodation and Bulk Water Alliance) had been identified in the forward annual performance audit program.

#### *Report No. 1 / 2015 Debt Management*

The audit examined whole-of-government policies, procedures and guidance material and initiatives to improve debt collection processes, as well as the internal governance and control frameworks for ACT Government entities (for debts owed to the Territory by non-government entities).

The Auditor-General concluded that:

The ACT Government has not taken the opportunity to determine the best arrangements for debt management across ACT Government entities. In 2007, the then Chief Minister announced a review of debt management, but there is no evidence that it was progressed. A strategic review is needed to identify where a whole-of-government approach would yield efficiencies and improve effectiveness, particularly with respect to debts owed to the Territory by non-ACT Government entities (which includes community members). These debts if not collected are cash leakages.

Debts owed to the Territory by non-ACT Government entities while varying over the last five years have ranged from \$307.6 million (30 June 2011) to \$534 million (30 June 2013). During 2009-10 to 2013-14, in each year, around 10 percent of this debt has been at risk of not being collected. Debts that are at risk of not being collected are those that are waived, written-off and impaired. In the last five years a total of \$72.4 million in debts owed to the Territory by non-ACT Government entities has been waived and written-off. The contribution of impairments was unable to be calculated but its affect is likely to mean the revenue at risk of not being collected is larger than the \$72.4 million.

Overdue debts, particularly those of 60 days or more, warrant consideration in the proposed review as the longer a debt is overdue the higher the risk of it not being recovered. While the value of debts of 60 days or more has fluctuated in the last five years, overall there has been a 25 percent increase (\$60 million in 2009-10 to \$75 million in 2013-14).

While a strategic review is called for, it is acknowledged that the ACT Government entities (Commerce and Works Directorate, Community Services Directorate, Environment and Sustainable Development Directorate, Justice and Community Safety Directorate and Territory and Municipal Services Directorate), which were selected for detailed analysis, had overall sound procedural and administrative arrangements for debt management. There were some issues that require correction and a mechanism is needed for disseminating better practice initiatives across ACT Government entities

Nine recommendations were made.

*Report No. 2 / 2015 The Rehabilitation of Male Detainees at the Alexander Maconochie Centre*

The audit considered the efficiency and effectiveness of the planning, management and delivery of rehabilitative activities and services provided in the Alexander Maconochie Centre (AMC) for male detainees. The focus was on the activities and services provided, managed or co-ordinated by ACT Corrective Services, an agency of the Justice and Community Safety Directorate. In particular, the audit examined therapeutic programs, particularly criminogenic programs; employment opportunities; education opportunities; recreation and leisure activities; and administrative activities, including daily living tasks such as receiving visitors.

The Auditor-General concluded that:

The Alexander Maconochie Centre (AMC) is a relatively new prison. It incorporates innovative, human rights planning and design, expected to provide an environment to support and foster detainee rehabilitation. This has been compromised due to its relatively small size, multiple classifications, detainee association issues, mixed genders and the unexpected adverse affects of the interaction of these factors with the AMC's design. Lack of continuity in senior management in the first few years of operation contributed to the difficulties.

More recently management practices have been effective in fostering improvements including a 'culture change', which emphasises respect in detainee and staff relationships, and have resulted in reductions in the use of force and lockdown hours. These improvements contribute to a healthier context for rehabilitating detainees.

AMC planning for rehabilitation is ineffective as there is no rehabilitation planning framework, no evaluation framework and no finalised case management policy framework. With respect to management practices, while there have been improvements, there are inadequacies that need to be addressed including improving business planning, internal performance measures and routine quality assurance and evaluation of programs.

As the prison population has increased, the ACT's detainee costs per day and utilisation rates have trended towards the Australian average. However, determining the effectiveness or efficiency of rehabilitation is problematic as there are no generally accepted comprehensive performance measures that can be used for this purpose and there is limited information on rehabilitation costs. Developing these measures will require a national approach and it would be unreasonable to expect the ACT to invest heavily in this given that it is a small jurisdiction with only one prison.

Due to the lack of comprehensive performance measures and cost information an overall assessment of effectiveness or efficiency of AMC operations with respect to rehabilitation was not able to be made. However, the proposed levels of rehabilitation activities and services, as anticipated in planning (prior to the opening of the AMC), were assessed and found to be inadequate. Importantly this means a 'structured day' with 'purposeful activity' is not being achieved for many detainees. It is therefore likely that some detainees are bored and this can compromise their rehabilitation.

The information management systems used at the AMC are inadequate. While action is underway to make improvements, it is important that priority be given to making the necessary changes as quickly as possible.

Ten recommendations were made.

*Report No. 3 / 2015 Restoration of the Lower Cotter Catchment*

The audit considered the effectiveness of the management of the Lower Cotter Catchment (LCC) by ACT Government agencies and Icon Water. It examined the roles, responsibilities and accountabilities for the management of the LCC; the implementation of the management actions identified in the LCC Management Plan 2007; integration and coordination with other environmental management strategies and plans for the LCC; the monitoring, review and oversight of management actions in the LCC, and whether management actions are achieving specified Government objectives.

The Auditor-General concluded that:

The *Planning and Development Act 2007* provides an overarching legislative framework to protect the ACT's potable water catchments. The Act satisfied the requirements of the Australian Drinking Water Guidelines, as it makes the protection of 'existing and future domestic water supply' the highest objective for the Lower Cotter Catchment (LCC). The 2003 fires adversely affected the water quality in the LCC. This is being addressed through the implementation of a major restoration project. The importance of the LCC increased with the construction of the Enlarged Cotter Dam (completed August 2013) which contains twenty-five per cent of the ACT's potable water supply and represents an investment of approximately \$410.5 million.

Since the 2003 fires, the natural regeneration of the vegetation cover and the management efforts and resources expended by Icon Water, the Territory and Municipal Services Directorate and the Environment Protection Authority, have been effective in steadily improving water quality and reducing turbidity and sedimentation. However, turbidity problems still occur following heavy rainfall events because of the unstable soils and erosion sites in particular parts of the catchment.

Progress in restoring the LCC has been such that we are now entering the consolidation and maintenance phases of the restoration. The management actions from 2006 to 2009 were under a Deed of Agreement whereby a strong decision-making Management Group, supported by ACT Government funds and an additional \$11 million supplied by Icon Water, enabled the completion of major sediment control engineering works and the revision of the road network. This in conjunction with the natural regeneration of the vegetation has reduced the rate of sediment movement into the Enlarged Cotter Dam. The vegetation recovery in the LCC has been better than anticipated and has assisted in the stabilisation of the erosion-prone soils.

Coordination of the efforts within the LCC has been important because of the number of different agencies involved in the delivery of a large, complex, restoration project with multiple facets and resourcing implications. However, high-level coordination of activities in the LCC has been reduced since the Deed of Agreement ceased in October 2009. The subsequent consultative committee which was intended to continue the LCC coordination role did not include senior staff with decision-making authority and ceased in 2013. As a result, there is no effective high-level coordination for the implementation of the LCC Strategic Management Plan. Because of the inherent risks in

this situation, a review of the catchment management and coordination arrangements for the LCC by the ACT Government would assist in identifying a new management, coordination and decision-making structure for the LCC.

The Strategic Management Plan set out twenty-nine management actions to be achieved. Seventeen of the management actions (58.5 percent) in the Strategic Plan were achieved; a further eight were partly achieved (27.5 percent). Only four (14 per cent) of the management actions were not achieved, in what has been, and continues to be, a major land restoration project for a fire-damaged and erosion-degraded potable water catchment. This is a significant achievement for a cooperative approach across several agencies and community volunteers in the restoration of the catchment.

Some of the management actions were rated as 'achieved and ongoing' or 'partly achieved and ongoing.' This indicates that there is still further work required over time in order to achieve the ultimate goal of resilient native woodland and grasslands in the LCC Strategic Management Plan.

Despite the improvements in water quality the LCC is exposed to significant risks which are interrelated and which, under adverse conditions, could accumulate and lead to a catastrophic failure of the water catchment. The ultimate risk is of the movement of large volumes of unmanaged sediment from unstable soils into the reservoir. Wildfire is a significant risk which will increase with climate change and requires persistent and effective management efforts. The controls which regulate public access to the LCC are inadequate; increasing the risk of fire, landscape damage and erosion. If a fire were to occur and if it was followed by a heavy rainfall event(s), then there is a significant risk that the sediment control structures would be overwhelmed culminating in high levels of turbidity in the catchment leading to a loss of water quality and consequently increased cost of water treatment. It is of concern that examples have been found in the audit that illustrate neglected or damaged erosion control structures.

It was not evident that the four agencies: the Environment and Planning Directorate, the Environment Protection Authority, Icon Water (ACTEW Water, ActewAGL) and the Territory and Municipal Services Directorate who shape the plans for or undertake management actions in the LCC, had a shared knowledge of the cascading effect of risks and their potential consequences. This is because there is no shared overarching risk identification process and risk management plan. The development of a shared risk plan is important so that identified risks can be used to effectively and efficiently determine financial resources needed for risk mitigation strategies including: fire management, maintenance of sediment control structures and public access controls for the LCC. These are high risks to water quality protection.

Priority needs to be given to important and ongoing work such as: the inspection and maintenance of erosion control structures in the LCC; a review of the LCC road and fire trail network to facilitate safe fire management; review of three areas of pine plantation that have been intentionally unmanaged and now present a fire risk, including in particular the Blue Range; controlling the major weeds (pine wildings and blackberry); completing a statutory plan of management for the LCC; finalising controls on public

access to the catchment; and making the community aware of the importance of access restriction in protecting our water supply.

Twelve recommendations are made, of which three are high priority. These are aimed at integrating the management of the LCC and accelerating the implementation of the Strategic Management Plan to protect the LCC which supports the Enlarged Cotter Dam that is an important component of the ACT's water security.

Twelve recommendations were made.

*Report No. 4 / 2015 ACT Government Support to the University of Canberra for Affordable Student Accommodation*

The audit considered the administrative effectiveness of the ACT Government's support for the University of Canberra (the University) for the provision of affordable student accommodation. It examined the ACT Government's administrative and decision-making processes and considered whether the ACT Government's support achieved the intended ACT Government outcomes. The audit also gave consideration to the University's capacity to repay any debts owed to the ACT Government, including consideration of the University's overall financial situation.

The Auditor-General concluded that:

ACT Government administrative and decision-making processes associated with the provision of financial and other support to the University of Canberra (UC) have been implemented effectively. Importantly, ACT Government agencies involved provided Cabinet with frank advice which sometimes differed. The Treasury Directorate's due diligence activities and advice has been effective in guiding the management of risks to the Territory.

The UC sought significantly more support than that which was subsequently agreed to by the ACT Government. The UC sought the Treasurer's approval to borrow up to \$220.0 million, which included a \$150.0 million loan from the Territory that would be subordinated to other lenders. The ACT Government only agreed to a borrowing limit of \$144.0 million and non-subordinated ACT Government loans up to \$97.4 million. The ACT Government gifted Arcscott House, an off-campus student accommodation property, to the UC as a contribution towards the UC's participation in the NRAS. Under the NRAS, the UC was to receive support from the Australian Government and ACT Government to supply 1,000 new dwellings. While 605 of its planned 648 dwellings have been completed, the remaining 352 dwellings (35 percent) are at risk of not being completed by July 2016. The UC advised it has been considering a number of options for meeting the target but it has not been satisfied with any proposed commercial arrangements.

If the target of 1,000 dwellings is not achieved it would be appropriate for the Chief Minister, Treasury and Economic Development Directorate to re-assess the support that it has provided to the UC for the purpose of participating in the NRAS. Such a re-assessment would also be prudent on the basis that other components of the ACT

Government's support to the UC, including the concessional interest rate benefits on loans to the UC, may not have materialised as expected.

The ACT Government lease associated with Arscott House states that it is to be used 'only for the purpose of educational establishment'. Arscott House is currently not being used for student accommodation or any other purpose. The UC has not made a decision on its future use. If changes to the use require a change in lease that results in the property value exceeding that provided by the ACT Government in support of NRAS (\$9.0 million) an appropriate adjustment may need to be made.

The UC has repaid most of its debt to the ACT Government using funds from the sale of its future NRAS entitlements to Westpac. It now only has one loan with the ACT Government, the outstanding balance of which was \$31.4 million as at 31 December 2014. The arrangement with Westpac has given rise to an ongoing financial liability for the UC and an obligation to Westpac for ensuring that NRAS dwellings are effectively managed so that Westpac receives NRAS payments from the Australian Government. While future NRAS payments from the Australian Government were always contingent on the UC's effective management of its NRAS-eligible properties, there is now a commercial remedy available to Westpac should it not do so.

In the last six years, particularly since 2010, the UC has significantly increased its debt to ACT Government and non-Government lenders. The UC advised that this is primarily due to its investment in accommodation for students and an overall growth and asset renewal strategy, which it regards as essential for its future growth and continued viability. Given this additional debt, the UC's capacity to sustain unexpected future financial shocks is at risk.

Modelling undertaken by the UC indicates that it has the capacity to repay its debts to the ACT Government. This is based on its ability to generate operating surpluses, primarily through revenue from the growth of students. Not achieving growth targets for student enrolments, or experiencing a reduction in growth, presents a financial risk to the UC. The UC nevertheless advised that, should student growth targets not be achieved, it has a range of options open to it to ensure that its debt is repaid.

Five recommendations were made.

#### *Report No. 5 / 2015 Integrity of Data in the Health Directorate*

The focus of the audit was the integrity of Activity Based Funding (ABF) data reported by the Health Directorate to the Independent Hospital Pricing Authority (IHPA), and the effectiveness of the management of the data. It considered the adequacy of the internal controls for data integrity in the Health Directorate, Canberra Hospital and Calvary Public Hospital, including the governance framework and the collection, management and reporting processes for ABF data.

The audit considered computer system and manual controls, and performed detailed analysis and testing of ABF-related data (provided by the hospitals) and ABF data (reported to IHPA by the Health Directorate).

The Auditor-General concluded that:

The integrity of Activity Based Funding (ABF) data reported by the ACT Health Directorate to the Independent Hospital Pricing Authority (IHPA) for Admitted Patient and Emergency Department services is adequate.

Non-admitted Patient data integrity is inadequate. The Health Directorate needs to continue to address the root causes and impacts of errors in Non-admitted Patient data, and develop and implement policies and procedures for improvement, as a high priority. This is needed to improve the integrity of data for management information purposes and for presenting accurate information to IHPA so the ACT receives the appropriate funding. The Health Directorate estimates that for the last six months the errors in Non-admitted patient data, detected by the Audit Office, could have resulted in 'around \$2 million to \$3 million' being underclaimed. The Health Directorate has an opportunity to correct this data before its next submission, which is due in September 2015.

With the exception of Non-admitted Patient data the Health Directorate's management of ABF data is generally effective; however, there are opportunities for improvement.

Eighteen recommendations were made.

#### *Report No. 6 / 2015 Bulk Water Alliance*

The audit examined the effectiveness of ACTEW's management of its Bulk Water Alliance (the Alliance) and the delivery of its associated infrastructure projects. This included consideration of whether the governance and administrative arrangements of the Alliance were appropriate and effective in assisting ACTEW to manage its financial and performance risks in the delivery of the Alliance projects.

The audit examined ACTEW's participation in the Alliance for the delivery of: the Enlarged Cotter Dam; the Murrumbidgee to Googong Pipeline; and the Googong Dam Spillway. ACTEW's activities to manage and establish the alliance contracting arrangement, to manage costs and its communication with key stakeholders were also examined.

The Auditor-General concluded that:

The Bulk Water Alliance delivered the Enlarged Cotter Dam, Murrumbidgee to Googong Pipeline and the Googong Dam Spillway. However, the Enlarged Cotter Dam's final cost of \$410.5 million exceeded its final estimated cost of \$363.0 million (Bulk Water Alliance's Final Target Outturn Cost of \$299.0 million and ACTEW's costs of \$64.0 million), as approved on 1 September 2009, and was overdue by 20 months. An earlier pre-Bulk Water Alliance estimate of \$145.0 million, developed by ACTEW and presented to the ACT Government in 2007, was preliminary and did not include all of

the anticipated costs. The Murrumbidgee to Googong Pipeline cost \$140.5 million, less than the final estimated cost of \$154.5 million and was overdue by 3 months. The Googong Dam Spillway cost \$54.0 million, less than the final estimated cost of \$56.0 million and was overdue by 8 months. The three project's combined cost of \$605.0 million is an increase of 5.5 percent over the combined final budgeted costs.

Despite the cost overrun for the Enlarged Cotter Dam and all three projects being overdue, ACTEW's use of an alliance to deliver it and the Murrumbidgee to Googong Pipeline project was appropriate and effective, although some aspects could have been improved. The merits of including the Googong Dam Spillway project in the alliance have not been evidenced.

While an Enlarged Cotter Dam 'lean' Target Outturn Cost was designed to encourage better performance and minimise overall costs it proved to be too 'lean' as some costs were based on unrealistic construction schedules. Unforeseeable events, including the 1:100 year flood, while impacting on schedule and cost do not fully account for the extent of the overrun.

While there were delays in providing cost information about the Enlarged Cotter Dam to the public there is no documented evidence that ACTEW or the ACT Government sought to deliberately mislead or deceive the public.

No recommendations were made.

#### *Report No. 7/ 2015 Sale of ACTTAB*

The audit examined the probity of the sale of ACTTAB, including whether there had been appropriate analysis of bids received from potential purchasers against legislative, policy and financial requirements and considerations. The focus of the audit was the conduct of the sale including the planning, administration and communication processes associated with the sale. The audit also assessed if there was appropriate consideration of bids received.

The Auditor-General concluded that:

The sale of ACTTAB successfully realised \$105.5 million for the Territory. This far exceeded expectations. The sale was undertaken in a timely manner. Tabcorp was selected as the successful purchaser with the appropriate experience, capacity and integrity to operate a wagering business. In this regard the Bid stage (Stage 2 of the sale process), involving two potential purchasers, was effectively undertaken.

The local racing industry was not negatively affected by the sale and the welfare of ACTTAB employees was considered as part of the sale process.

Although a successful sale was achieved, the high standard of probity that would be expected for such a complex, large and high risk sale is not evident. There is a lack of transparency due to poor documentation. Some processes were inadequate, including

there being no finalised risk plan and the one that was produced being developed too late to influence processes.

At the Expression of Interest stage (Stage 1 of the sale process), involving five interested parties, there were inadequacies due to the poor quality, and the inadequate assessment, of some evaluation criteria. Correcting these and the other inadequacies, although important in terms of probity, may not have changed the result. However, the inadequacies could have been relatively easily avoided.

One multi-part recommendation was made.

### **A.2.3.3 Timeliness of performance audits**

The average time taken to complete performance audits in 2014-15 was 9 months. This exceeded the targeted completion timeframe of 7 months and was longer than the 2013-14 average of 8.4 months.

The average time to complete a performance audit varies depending on the size and complexity of it, and the circumstances in which it is performed. All but one of the audits undertaken in 2014-15 exceeded the target timeframe, largely reflecting the increase in scope and complexity as the audit progressed. These factors were particularly evident in the audits of the Bulk Water Alliance (Report No. 6/2015) and of The Rehabilitation of Male Detainees at the Alexander Maconochie Centre (Report No. 2/2015).

Complexities in the reporting process, including the need to consult extensively in relation to the potential findings and conclusions for inclusion in the report, extended the duration of the audits of ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015), Sale of ACTTAB (Report No. 7/2015) and Debt Management (Report No. 1/2015).

An additional factor that affected the duration of the audit of ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015) was the need to consult with respect to the use of, and reference to, Cabinet material.

The timeliness of the delivery of other audits was also delayed by the departure of senior staff. Such delays highlight the challenge of completing audits with a comparatively small performance audit team.

The Audit Office continues to explore ways to provide the capacity needed to deliver its performance audit program. In 2014-15, the Audit Office again used 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 proved to be particularly useful for complex audits or those examining highly technical or specialist information.

### *Performance Audit Seminar*

A performance audit seminar was held in June 2015 which was opened by the Chair of the Public Accounts Committee. The seminar focused on providing the opportunity for agencies and entities that had recently been audited to share their experiences so that those who were to be audited could benefit.

A panel discussion titled *Performance Audits: from the auditees perspective* featured the representatives of auditees involved in the Restoration of the Lower Cotter Catchment performance audit. A common theme in the panel discussion was the benefits of effective communication between auditees and Audit Office staff.

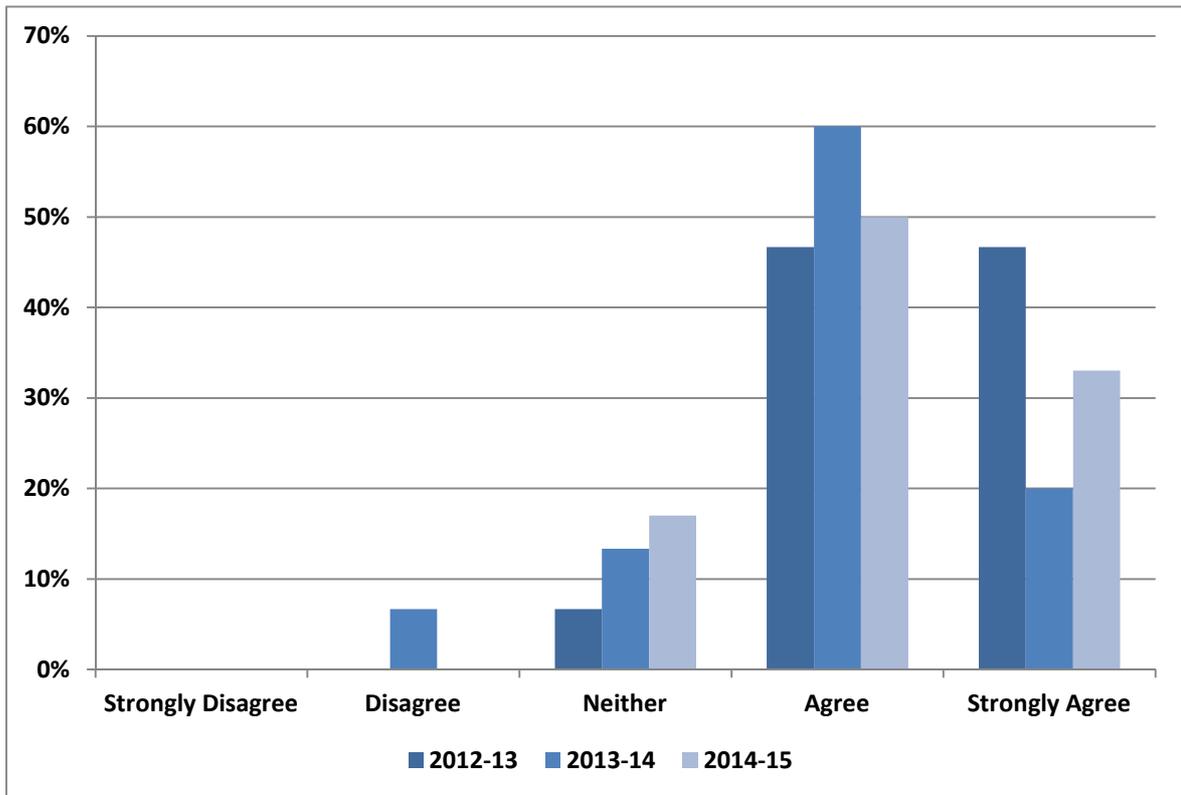
The forward performance audit program was announced and discussed.

This seminar was well attended by auditees' representatives and feedback was positive.

#### **A.2.3.4 Satisfaction with performance audits**

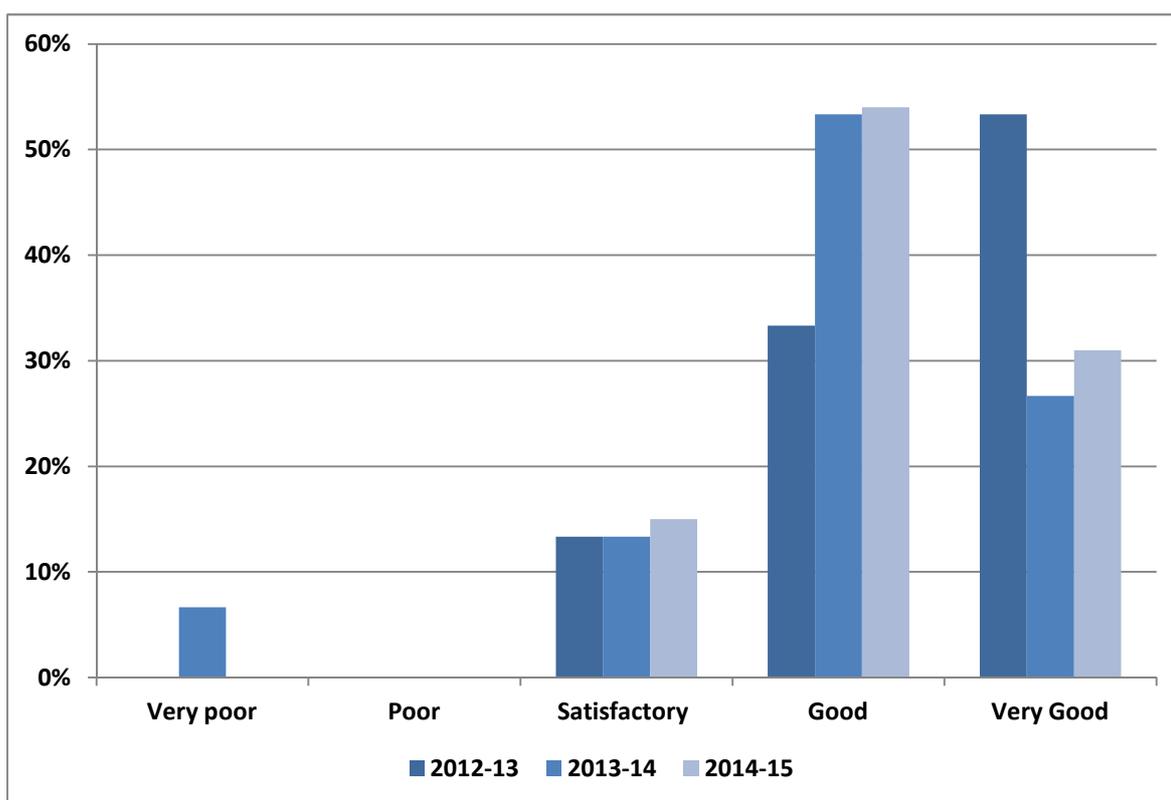
Auditees are surveyed following the completion of each performance audit. Survey responses primarily showed that agencies in general value the work of the Audit Office. Consistent with previous years, comments provided by agencies in 2014-15 were largely positive and indicated high levels of satisfaction with the way in which audits were conducted. Comments from agencies are in Note 6 of the Audit Office's Statement of Performance in Section B.5. Figure A.2 indicates agencies' perceptions of audit contributions to improving administration performance.

**Figure A.2: Auditees’ responses: ‘The [performance] audit will help our organisation to improve administration of the audited activity’**



Source: Auditee satisfaction surveys

Figure A.2 shows that in 2014-15 the majority of auditees respond positively to the statement ‘the audit will help our organisation to improve administration of the audited activity’, including an improvement in the proportion strongly agreeing with the statement. Agencies continue to reflect a positive audit experience, as shown in Figure A.3.

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

Source: Auditee satisfaction surveys

The survey data shows that the Audit Office has generally been assessed in 2014-15 the same as in 2013-14, with all auditees responding positively to the overall experience of the performance audit process. Most (85 per cent) reported that overall performance was either good or very good.

The Audit Office uses the survey process as a means to recognise auditees' concerns and, where appropriate, change methods and practices. This is part of a continuous improvement process to implement more effective work practices. In 2014-15, auditees' feedback was considered in the review of performance audit methods and practices, specifically the Office's Performance Audit Methods and Practices document (PAMPr).

#### **A.2.3.5 Monitoring and improving the quality of performance audit work**

In August 2014 a comprehensive review and update of PAMPr was completed. Key outcomes of the review were:

- more specific and explicit guidance for performance audit teams in relation to performance audit practices and requirements of the Office;
- updated templates and documents for the conduct of performance audits; and
- integration of PAMPr with ASPIRE, the Office's workpaper management system for performance audits.

Throughout 2014-15 there has been a continuing focus on embedding the revised PAMPr into performance audit team practices.

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

- engagement quality control reviews, sometimes referred to as ‘hot’ reviews. These involve a review of audit work before the audit is completed. The findings from this review are 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.

All audits completed in 2014-15 were subject to an engagement quality control review. These reviews sought to provide assurance that:

- the performance audit report conclusion was accurate and appropriate;
- the audit findings are supported by sufficient and appropriate evidence; and
- audit work was subjected to an appropriate level of review.

Findings relating to individual audits were recognised and actioned prior to the tabling of reports in the Legislative Assembly.

In 2014-15, a selection of performance audits were also considered as part of the Audit Office’s quality assurance reviews in accordance with the Office’s *Quality Control and Assurance Policy* which examined audits with respect to quality control standards issued by the Accounting Professional and Ethical Standards Board, and the Auditing and Assurance Standards Board. The audits were also assessed for compliance with PAMPr which includes requirements of the relevant performance auditing standards. These quality assurance reviews were conducted by a consultant under the guidance and supervision of Principal, Professional Services. These reviews found that the audits were of a high quality and were supported with sufficient and appropriate audit evidence. Some opportunities for improvement were identified in relation to the project management of audits and assembly of audit files.

#### **A.2.3.6 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 2014-15 was \$287 762, as compared to the average of \$305 739 for all state and territory audit offices in Australia.<sup>1</sup>

### Timeliness

The Audit Office's average period of completion of performance audits in 2014-15 was 9 months which was the same as the average for all state and territory audit offices in Australia.

#### Further information can be obtained from:

Mr Brett Stanton	Director, Performance Audits	(02) 6207 9534	brett.stanton@act.gov.au
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## A.2.4 Financial audits

Financial auditing is a primary function of the Audit Office. The Audit Office issues:

- audit reports on financial statements prepared by ACT Government directorates, authorities and companies. Audit reports on financial statements are usually required by legislation (for example, the *Financial Management Act 1996* or *Corporations Act 2001*). Audits are also performed pursuant to other requirements such as grant and land joint venture agreements; and
- reports of factual findings on statements of performance prepared by ACT Government directorates and authorities. These reports are required by the *Financial Management Act 1996*.

Audit reports and reports of factual findings include an independent opinion on whether information that has been reported in financial statements (audit reports) and statements of performance (reports of factual findings) is fairly presented.

ACT Government agencies must 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.

The Audit Office must comply with Australian Auditing Standards when conducting financial audits.

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<sup>1</sup> A figure of \$286 724 was reported to ACAG on 12 August 2015. The figure of \$287 762 was refined on 30 September 2015, due to a minor error in the calculations.

### A.2.4.1 Meeting targets

**Table A.3: Accountability indicators for financial audits**

Accountability indicators	2013-14 Actual	2014-15 Actual	2014-15 Target
Number of audit reports issued on financial statements	71	75	67
Number of reports of factual findings issued on statements of performance	30	30	29
Percentage of agencies satisfied with financial audits	100%	100%	95%
Percentage of recommendations accepted in financial audits	86%	71%	95%
Percentage of financial audits completed within the required timetable	93%	85%	100%
Presentation of the summary report on financial audits to the Legislative Assembly	December 2013	December 2014	December 2014

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

### A.2.4.2 Audit reports and reports of factual findings

The Audit Office issued an audit report or report of factual findings in all cases where there was a requirement to do so. The number of:

- audit reports issued on financial statements in 2014-15 (75) is slightly higher than the number issued in 2013-14 (71) and exceeds the 2014-15 target (67); and
- reports of factual findings issued on statements of performance in 2014-15 (30) was the same as the number issued in 2013-14 (30) and slightly higher than the 2014-15 target (29).

The number of audit reports issued in 2014-15 (75) exceeds the 2014-15 target (67) because eight audits were not known when the 2014-15 target was prepared. An audit of the financial statements:

- of the former Commerce and Works Directorate and Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was required following changes to administrative arrangements;
- of the Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 was performed after the Corporation was dissolved;
- of ACN 071 257 504 Limited (formerly ACTTAB Limited) for the period from 1 July 2014 to 31 January 2015 was required following the sale of ACTTAB Limited on 14 October 2014;

- relating to Commonwealth funding provided and spent under the *Nation Building Program (National Land Transport) Act 2009* – National Projects for the Majura Parkway for 2011-12 and 2012-13 was required; and
- Digital Hubs Program (final acquittal) to 31 March 2015.

In addition, an audit of the Public Trustee for the ACT's compliance with the '*Public Ancillary Fund Guidelines 2011*' made under the *Taxation Administration Act 1953* in relation to the Capital Region Community Foundation Gift Fund was completed.

The number of reports of factual findings issued in 2014-15 (30) exceeded the target (29) because a review of the statement of performance of the Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 was completed following the dissolution of the Corporation. The review was not known when the 2014-15 target was prepared.

Audit reports issued on financial statements and reports of factual findings issued on statements of performance are listed in the Audit Office's Statement of Performance in Section B.5.

#### **A.2.4.3 Timeliness of financial audits**

The Audit Office strives to complete all (100 percent) of financial audits within the required timetable. In most cases this timetable is the reporting and audit timetable issued by the Chief Minister, Treasury and Economic Development Directorate. Where this timetable does not apply, the required timetable is the date settled between the Audit Office and the reporting agency.

The Audit Office's target of completing 100 percent of financial audits undertaken within the required timetable is challenging because the achievement of this timetable depends on many factors that are outside the control of the Audit Office. For example, reporting agencies need to:

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

The Audit Office completed 64 (85 percent) of the 75 financial audits in 2014-15 within the 'required timetable'. This result is below the target of 100 percent mainly due to delays experienced in the receipt of certified financial statements from reporting agencies.

All audits were completed in time for agencies to meet any applicable statutory reporting timeframes.

#### A.2.4.4 Acceptance of audit recommendations

The Audit Office is required by Australian Auditing Standard ASA 260: 'Communication with Those Charged with Governance' to communicate significant matters (audit findings) identified during an audit, including any deficiencies in internal control, to those charged with the governance of an agency. Audit findings include weaknesses in governance arrangements, internal controls and reporting systems implemented by agencies, legislative breaches, errors and fraud.

The Audit Office reports these audit findings in an audit management report. There is no requirement for the Audit Office to provide 'audit recommendations', however, audit recommendations are provided to assist agencies to address audit findings.

Agencies are solely responsible for the adequacy of their governance arrangements, internal controls and reporting systems and the Audit Office has no power to direct agencies to address audit findings. Agencies can and do disagree with audit recommendations for a range of reasons. For example, agencies may:

- decide that the cost of implementing audit recommendations outweighs the benefits;
- address audit findings through other actions to those recommended by the Audit Office; and
- that the risks identified by the Audit Office are not significant enough to warrant action.

Historically, agencies have accepted the large majority of audit recommendations and while several recommendations may not be fully accepted few are 'not agreed'.

In 2014-15, 144 (71 percent) of the 202 recommendations were accepted by agencies. This acceptance rate is below that achieved in 2013-14 (86 percent) and below the 2014-15 target of 95 percent. This was mainly due to several recommendations being 'agreed-in-principle', 'partially agreed' or 'noted'. Only 18 or nine percent of recommendations were 'not agreed' to by the agencies.

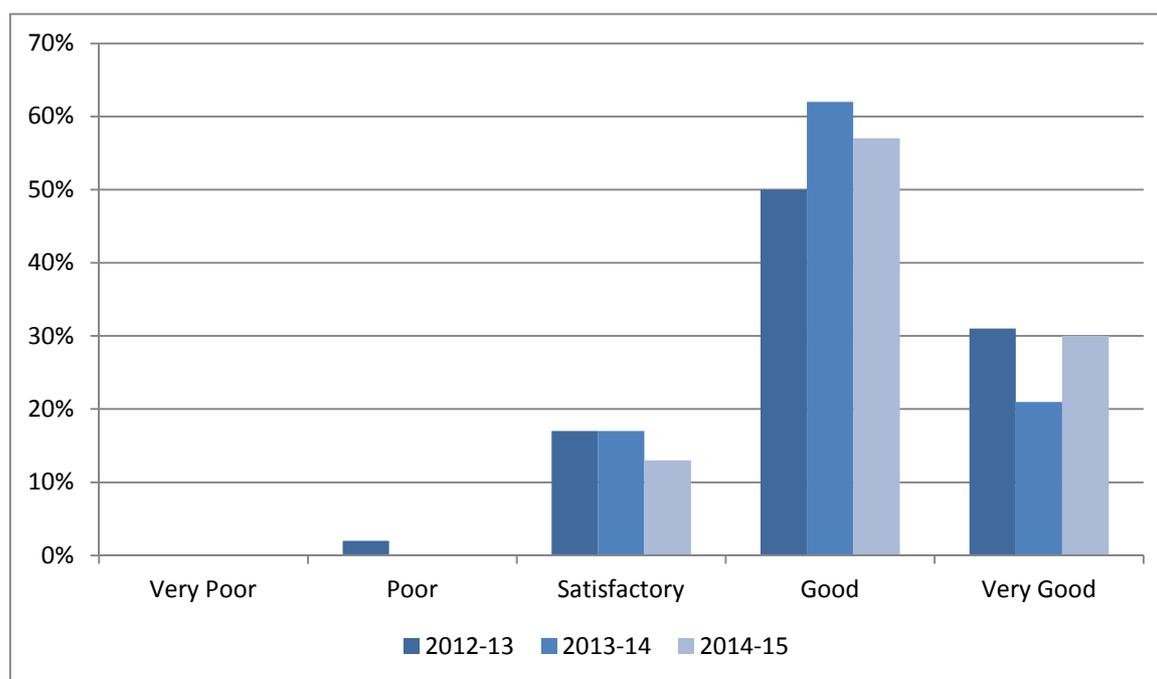
The results reflect the continuing high number of Audit Office recommendations, in an environment of increasing complex financial arrangements as government practices evolve.

#### A.2.4.5 Satisfaction with financial audits

Agencies consistently provided high satisfaction ratings on the Audit Office's performance on financial audits in 2014-15.

Forty-seven reporting agencies were surveyed on their satisfaction with financial audits. All 44 respondents indicated that they were 'satisfied' with audits, with 13 (30 percent) rating the Audit Office's performance as 'very good', 25 (57 percent) as 'good' and six (13 percent) as 'satisfactory'. Three agencies did not respond.

**Figure A.4: Agency satisfaction ratings on overall financial audits**



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

Figure A.4 shows that in 2014-15, consistent with previous years, comments provided by agencies were largely positive and indicated high levels of satisfaction with the way in which financial audits were conducted. Comments made by agencies are provided in Note 5 of the Audit Office's Statement of Performance in Section B.5.

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.

#### **A.2.4.6 Presentation of the summary report on financial audits to the Legislative Assembly**

The summary report on financial audits to the Legislative Assembly was tabled on 19 December 2014.

##### *Report No. 7/2014 2013-14 Financial Audits*

This report contains a summary of the results of audits of financial statements and reviews of statement of performance with reporting periods ending 31 December 2013 and 30 June 2014.

This report includes:

- an assessment of the overall quality and timeliness of reporting by agencies and other reporting entities;
- an analysis of the financial and budget performance of the Territory and many of its agencies;
- information on audit findings identified during the audits of financial statements and reviews of statements of performance. Audit findings include weaknesses in governance arrangements, internal controls and reporting systems implemented by agencies, breaches of legislation, errors and fraud; and
- information on the progress made by agencies in resolving audit findings that have been previously reported to agencies.

This report discloses that, in 2013-14, the Audit Office completed:

- audits of 75 financial statements with five audit reports being qualified. Qualified audit reports were issued on the financial statements of the ACT Public Cemeteries Authority and the related Gungahlin Cemetery Perpetual Care Trust, Hall Cemetery Perpetual Care Trust, Woden Cemetery Perpetual Care Trust and Woden Mausoleum Perpetual Care Trust; and
- reviews of 30 statements of performance with two qualified reports of findings being issued. Qualified reports of factual findings were issued on the statement of performance for the ACT Public Cemeteries Authority and ACT Compulsory Third-Party Regulator.

The report also discloses that the performance by agencies in resolving previously reported audit findings decreased in 2013-14 with 76 (52 percent) of the 145 previously reported audit findings being resolved in 2013-14 compared to 211 (72 percent) in 2012-13. Several previously reported weaknesses in controls over computer information systems, including major revenue applications, were not resolved.

The quality of financial statements submitted by agencies for audit in 2013-14 was similar to that achieved in 2012-13. The combined percentage of financial statements submitted for audit that were assessed as good or satisfactory in 2013-14 was 81 percent compared to 77 percent in 2012-13.

Compliance with the whole-of-government reporting timetable for submitting financial statements to the Audit Office for audit remained high with 93 percent of agencies complying with the reporting timetable in 2013-14 compared to 89 percent in 2012-13.

The quality of statements of performance submitted by agencies for review improved in 2013-14 with the percentage of statements of performance assessed as good increasing from 57 percent in 2012-13 to 69 percent in 2013-14.

Compliance with the whole-of-government reporting timetable for submitting statements of performance to the Audit Office for review improved with 93 percent of the reporting agencies submitting their statements of performance to the Audit Office on time in 2013-14 compared to 89 percent in 2012-13.

#### **A.2.4.7 Improving reporting**

##### *Technical advice*

Accounting and reporting guidance is provided by the Chief Minister, Treasury and Economic Development Directorate to ACT Government agencies to assist agencies to prepare their financial statements and statements of performance in accordance with relevant reporting requirements.

The Chief Minister, Treasury and Economic Development Directorate may consult with the Audit Office before releasing this guidance. This consultation process provides assurance that agencies which use the guidance material will consistently comply with relevant accounting and reporting requirements.

The Audit Office provided advice on model financial statements prepared by the Chief Minister, Treasury and Economic Development Directorate to assist agencies in preparing their 2014-15 financial statements. This advice provides increased assurance that reporting requirements, in particular, new reporting requirements have been adequately addressed in the guidance provided in the model financial statements provided to agencies.

In 2014-15, the Audit Office also provided advice on accounting guidance prepared by the Chief Minister, Treasury and Economic Development Directorate on:

- new requirements for budgetary reporting under Australian Accounting Standard AASB 1055: 'Budgetary Reporting'. Under these requirements reporting agencies include explanations for major variances against budget information in their financial statements; and
- a fleet services leasing arrangement between the Commonwealth of Australia (represented by the Department of Finance) and SG Fleet.

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

- qualified reports on financial statements or statements of performance;

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

The Audit Office resolved complex audit and accounting matters in 2014-15 and, where necessary, obtained advice from accounting and reporting experts to resolve these matters. For example, the Audit Office obtained expert advice on advice on:

- accounting for the Loose-Fill Asbestos Eradication Scheme - a buyback scheme for ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation (Chief Minister, Treasury and Economic Development Directorate and Territory Banking Account);
- policies used to account for arrangements relating to the National Rental Affordability Scheme (University of Canberra);
- the discount rate to be used by for profit entities to estimate the present value of future payments of employee leave entitlements (Icon Water Limited);
- the accounting for large-scale generator certificates which are to be transferred from the Environment and Planning Directorate to the Clean Energy Regulator (Environment and Planning Directorate);
- whether a scheme to provide long term care and support should be accounted for under Australian Accounting Standard AASB 1023: 'General Insurance Contracts' or AASB 137: 'Provisions, Contingent Liabilities and Contingent Assets' (Lifetime Care and Support Fund);
- adequacy of controls implemented by Shared Services over the information technology environment and the financial management accounting system used by many reporting agencies (Oracle);
- timing of recognition of land inventory by the Land Development Agency; and
- estimates of liabilities calculated by agencies using actuaries (for example, the estimated superannuation liabilities by the Superannuation Provision Account and estimated claims liabilities of the ACT Insurance Authority and Lifetime Care and Support Fund).

The Audit Office also worked with agencies to improve their financial statements and statements of performance submitted for examination by the Audit Office.

### *Financial audit seminar*

The Audit Office held its annual financial audit seminar on 8 May 2015. It was opened by the Chair of the Public Accounts Committee and was well attended by representatives of the reporting agencies who provided positive feedback. Attendees at this seminar were provided with information on:

- major or common audit findings from previous audits;
- new accounting and reporting requirements;
- the audit of information technology systems;
- whole-of-government reporting requirements; and
- key audit contacts.

This information was presented by representatives from the Audit Office, Chief Minister, Treasury and Economic Development Directorate and private sector firms (Axiom Associates and Ernst & Young).

#### **A.2.4.8 Improving the quality of financial audit work**

Audit teams have regular reviews of their work performed on each financial audit during audits. These reviews provide assurance that audit work is properly planned, performed and that sufficient appropriate evidence has been obtained to support the independent opinions expressed in audit reports on financial statements and reports of factual findings on statements of performance. These reviews are performed by the more experienced members of the assigned audit team and assist in improving the skills of less experienced audit team members.

In addition to the reviews mentioned above, quality reviews are also performed by reviewers under supervision and guidance of the Principal, Professional Services who is not part of the assigned audit team. This accords with the Office's *Quality Control and Assurance Policy*. These reviews include:

- engagement quality control reviews (or 'hot' reviews). These are performed on audits assessed to be of higher risk during the audit. Findings from these reviews are addressed before the audit is completed; and
- quality assurance reviews (or 'cold' reviews). These are performed on a selection of audits after these audits have been completed.

These quality reviews are similar to the processes used for performance audits, as discussed in Section A.2.3.5.

Overall, the quality assurance review team found the audit files selected for review to be of a good quality. The audit files complied with the financial audit method including the auditing standards and sufficient audit evidence was maintained in the audit file to support the unqualified audit opinion issued on those audits. The reviewer recommended improvements to documentation kept in the audit file. To provide assurance that review findings and recommendations lead to improvements in the quality of financial audit work:

- review findings were considered in the annual financial audit method training held on 12 and 13 May 2015;
- audit teams are required to complete a checklist indicating that review findings have been addressed before audits are completed; and
- quality assurance reviews address whether review findings are being consistently addressed.

#### A.2.4.9 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 2014-15 was \$67 682 or 3% lower compared to the average cost of \$69 671 for all state and territory audit offices in Australia.

##### *Timeliness*

The Audit Office issued 80 percent of its audit reports on financial statements within three months of the end of the reporting period compared to the average of 68 percent for all state and territory audit offices in Australia. This reflects the 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 Bernie Sheville	Director, Financial Audits and Chief Finance Officer	(02) 6207 0821	bernie.sheville@act.gov.au
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## A.3 Scrutiny

### A.3.1 Legislative Assembly inquiries and reports

#### A.3.1 External Scrutiny

Mechanisms for scrutinising of the Audit Office's performance are provided by the *Annual Reports (Government Agencies) Act 2004*, the A-G Act and engagement with the Public Accounts Committee (PAC).

The Audit Office's annual reports, which include the Office's audited financial statements and Statement of Performance, are examined by the Assembly's Estimates Committee and the PAC.

The Audit Office's financial statements and statements of performance are audited by an external auditor under the A-G Act. Unqualified audit reports for the 2014-15 Financial Statements and Statement of Performance were issued by the external auditor, PKF Chartered Accountants & Business Advisers.

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 Legislative Assembly and are publicly available. When a performance audit report is tabled in the Legislative Assembly, the Audit Office offers to brief to the PAC.

Under the A-G Act, a strategic review of the Auditor-General's functions and a performance may be undertaken. No such review occurred during 2014-15.

Performance audit reports are tabled in the Legislative Assembly by the Speaker and then referred to the PAC. The PAC examines audit reports and may hold public inquiries into them. The Audit Office offers a briefing to the PAC on all performance audit reports and gives evidence to public inquiries at the request of the PAC.

The following reports were referred to the PAC in 2015 and were under consideration as at 30 June 2015:

- Report No. 1 / 2015: Debt Management;
- Report No. 2 / 2015: The Rehabilitation of male detainees at the Alexander Maconochie Centre;
- Report No. 3 / 2015: Restoration of the Lower Cotter Catchment;
- Report No. 4 / 2015: ACT Government Support of the University of Canberra for Affordable Student Accommodation;
- Report No. 5 / 2015: Integrity of Data in the Health Directorate;

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- Report No. 6 / 2015: Bulk Water Alliance; and
- Report No. 7 / 2015: Sale of ACTTAB.

During 2014-15, the PAC commenced inquiries into the following performance audit reports:

- Report No. 4 / 2013: National Partnership Agreement on Homelessness; and
- Report No 5 / 2013: Bushfire Preparedness.

The PAC's inquiries into these performance audit reports were still in progress as at 30 June 2015.

In 2014-15, there were no recommendations specifically made to the Audit Office. However, there were recommendations made to the 'ACT Government directorates and agencies' that could apply to the Audit Office. These are listed in Table A.4.

**Table A.4: Recommendations by Assembly Committees**

Committee/ Report Title/ Date Tabled	Recommendation	Audit Office comment
<p><b>Committee</b> Standing Committee on Public Accounts</p> <p><b>Report Title</b> Report 11: Annual and Financial reports 2013-2014</p> <p><b>Date Tabled:</b> 25 March 2015</p>	<p>Recommendation 1</p> <p>The Committee recommends that ACT Government directorates and agencies should ensure the provision of complete statements of performance and full disclosure as required by the <i>Financial Management Act 1996</i>. In doing so, ensure the following—the provision of: (i) clear definitions for accountability indicators and related targets; (ii) more information on how reported results were measured; and (iii) clear and informative explanations for material variances from the planned targets.</p>	<p>The Audit Office complies with the requirements of the <i>Financial Management Act 1996</i>, including clear indicators of performance, information on the measurement of results and informative explanations.</p>
	<p>Recommendation 2</p> <p>The Committee recommends that ACT Government directorates and agencies should ensure complete reporting with all compliance requirements as specified in the Annual Report Directions.</p>	<p>The Audit Office complies with the Annual Report Directions.</p>

Committee/ Report Title/ Date Tabled	Recommendation	Audit Office comment
	<p>Recommendation 3</p> <p>The Committee reiterates its earlier recommendation that ACT Government directorates and agencies should ensure complete reporting with all compliance requirements as specified in the Annual Report Directions.</p>	<p>The Audit Office complies with the Annual Report Directions.</p>
	<p>Recommendation 4</p> <p>The Committee recommends that ACT Government directorates and agencies should ensure complete compliance in accordance with the reporting requirements as prescribed under Section C.5— Auditor-General and Ombudsman’s reports—of the 2013–14 Annual Report Directions.</p>	<p>The Audit Office complies with the Annual Report Directions.</p>
	<p>Recommendation 13</p> <p>The Committee recommends that ACT Government directorates and agencies should ensure recordkeeping procedures and guidance material address the business activities specific to their operations.</p>	<p>The Audit Office ensures that its record keeping practices and guidelines are best-practice.</p>

### A.3.2 Reports of the Ombudsman and independent auditor

In February 2015 the Ombudsman undertook an investigation in relation to the Audit Office’s management of a public interest disclosure. The Ombudsman’s investigation was concluded on 1 July 2015 and the Audit Office was advised ‘no further investigation of this case is warranted with the Audit Office’.

In October 2014, the Ombudsman reported on complaint management by government agencies<sup>2</sup> and recommended that, among other things, complaints systems meet the needs of vulnerable people, and are clear and easy to find on agency websites.

The Audit Office regularly reviews its *Complaint Handling Policy and Procedures* (first set in 2009, with the most recent version available on the website) and has a complaints officer.

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<sup>2</sup> Report by the Commonwealth and ACT Ombudsman, No. 2/2014, *Complaint management by government agencies*, October 2014.

There were no reports relating to a strategic review by the independent auditor in 2014-15, as there was no review.

## **A.4 Risk management**

### **A.4.1 Risk management**

The Audit Office has a risk management framework that is consistent with the ACT Government's Risk Management Guidelines and Risk Management Standard AS/NZS 31000:2009. The framework includes, but is not limited to, a Risk Management Policy and Plan and Business Continuity Plan. The Audit Office's Business Continuity Plan and Emergency Response Plan was last reviewed and updated in March 2014. This plan is currently under review.

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

The Executive Committee has broad responsibility for overseeing risk management in the Audit Office. This Committee is also the 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 Office, as discussed below.

## **A.5 Internal audit**

### **A.5.1 Audit and Review Committee**

The Audit and Review Committee operates in accordance with its charter and 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 her 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 are provided in Table A.5.

**Table A.5: Audit and Review Committee**

Name	Agency	Duration	Position	No. of meetings attended
Ms Janean Richards	External	June 2013 to June 2017	Independent Chair	5
Mr Tim Larnach	Audit Office	September 2011 to October 2016	Member	5
Ms Clea Lewis	External	May 2014 to May 2016	Member	5
Ms Elizabeth Cusack	Audit Office	August 2014 to August 2016	Member	2

Source: Audit Office records

The Audit and Review Committee met six times during 2014-15 of which one meeting was classified as 'informal' as the quorum was not reached and it is therefore not included in the table above.

The Auditor-General, Dr Maxine Cooper has a standing invitation to all Audit and Review Committee Meetings as an observer.

In 2014-15 the Committee welcomed a new member, Ms Elizabeth Cusack, Senior Manager, Performance Audits, ACT Audit Office. During the year, the main activities of the Committee were to:

- develop and implement an annual internal audit work program against a three-year Strategic Internal Audit Plan;
- oversee internal audits and reviews of the Office's compliance with key legislation, the Office's implementation of recommendations arising from previous internal audits and other reviews, the efficiency of financial audit processes and the Office's procurement and contract management arrangements;
- initiate the development of a legislative compliance framework for providing ongoing assurance with respect to the Office's management of, and compliance with, key legislative obligations;
- review and endorse the Audit Office's 2013-14 Financial Statements and 2013-14 Statement of Performance; and
- monitor the Office's risk management, fraud control and financial management activities through regular reports from the Office's Risk Manager, Senior Executive Responsible for Business Integrity Risk (SERBIR) and the Chief Finance Officer.

The Audit and Review Committee undertook two audits in 2014-15. These reviews are discussed in A.5.1.1 and A.5.1.2.

#### **A.5.1.1 Review of financial audit fees**

The Audit Office charges agencies fees for conducting financial audits. The audit fee is determined and levied by the Office in accordance with the A-G Act. The audit fees charged to the agencies including the method used for determining these fees are reported in Appendix A of this Report.

The Audit and Review Committee engaged a consultant to review the method used for determining the fees including whether the fees were determined in accordance with the A-G Act.

The review concluded that the audit fees were set by the Audit Office in accordance with the A-G Act and the method used for determining the fees was reasonable.

#### **A.5.1.2 Review of Performance Audit Methods and Practices Manual**

Performance Audit Methods and Practices Manual (PAMPr) provides the primary guidance for performance audit teams undertaking performance audits in the Audit Office. The guidance in PAMPr allows the performance auditors to comply with the requirements of the relevant performance auditing standards when undertaking performance audits. PAMPr was comprehensively reviewed and updated in August 2014.

The Audit and Review Committee engaged a consultant to review PAMPr to provide an objective evaluation of the Performance Audit Methods and Practices Manual (PAMPr) against the requirements of the performance auditing standards.

Overall, the review concluded that PAMPr aligned with the current performance auditing standards and provided reasonable guidance to performance auditors for the conduct of performance audits by the Audit Office. The reviewer also found PAMPr to be comprehensive and easy to follow and cross referenced to both the relevant performance auditing standards and the requirements pertinent to the A-G Act.

The reviewer made some suggestions for improvement to text contained in PAMPr in relation to the requirements of the performance auditing standards.

#### **Further information can be obtained from:**

Mr Tim Larnach	Internal Audit Committee	(02) 6205 2441	tim.larnach@act.gov.au
Ms Elizabeth Cusack	Internal Audit Committee	(02) 6207 0819	elizabeth.cusack@act.gov.au

## A.6 Fraud prevention

The Office's *Fraud and Corruption Prevention Plan* minimises the risk of fraud and corruption. Other policies addressing fraud and corruption prevention included the 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*.

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

The Director, Performance Audits 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 2014-15.

### Further information can be obtained from:

Mr Brett Stanton	Director, Performance Audits and SERBIR	(02) 6207 9534	brett.stanton@act.gov.au
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## A.7 Work health and safety

### A.7.1 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 2014-15, the Audit Office had two Workplace Safety Representatives, two Fire Wardens and two First Aid Officers.

#### *Improving awareness of workplace health and safety issues*

Staff are encouraged to personally act to ensure that the workplace is a healthy and safe place.

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

#### *Sharing the workload*

The Audit Office's work programs, at times, place high demands on some staff, for a limited time, particularly to complete audits within the needed time. The Office shares this workload between audit teams to minimise instances of excessive periods of long

hours. It also uses a forward planner to manage the workload and enable staff to plan for their recreational, study and other leave.

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

#### *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 height-adjustable workstations for eight staff allowing these people to stand at their workstations while working on their computers.

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

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

#### *Health and well-being initiatives*

In 2014-15, the Office continued to invite guest speakers to attend staff meetings and give presentations on health and well-being. Other initiatives included making available publications and materials on health and well-being to staff throughout the Office.

Health and well-being initiatives for the Audit Office also included:

- free influenza vaccinations to all staff; and
- improving hygiene levels and reducing the risk of illness with provision of hand sanitisers and facial tissues in the Office.

Other support available to staff include 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 provided by Davidson Trahaire Corpsych.

### Legislative compliance

There were no accidents or dangerous occurrences in 2014-15 that required a notice under Part 3, section 38 of the *Work Health and Safety Act 2011*.

In 2014-15, no enforceable undertaking and improvement, prohibition, or non-disturbance notices were issued to the Audit Office under the parts 10 and 11 of the *Work Health and Safety Act 2011*.

### Social club

The Staff Social Club facilitated a number of social events during 2014-15, many of which generated funds that have supported charitable causes. The Club is fully funded by staff and run by a small committee.

### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## A.8 Human resources management

### A.8.1 Human resource planning

The Audit Office maintains staffing at sufficient capacity to deliver its program of financial and performance audits, and provide professional services support for its operations.

In November 2014, the Audit Office released a *Workforce Planning and Review Policy and Guidelines*. The aim of this plan was to ensure that the Office can meet its obligations by having the right people, in the right roles, with the right capabilities, at the right time.

The workforce plan includes strategies aimed at supporting staff. These include maintaining a Performance Development Plan for each staff member, identifying learning and development needs, and providing regular feedback to staff on performance.

The workforce plan acknowledges that the Office's challenge continues to include:

- the provision of sufficient career opportunities in a small agency, which leads to difficulty in retaining experienced staff; and
- maintaining a workforce with the knowledge and experience required to deliver quality work.

**Table A.6: Staff movements**

Staff movements	2010-11	2011-12	2012-13	2013-14	2014-15
Number of staff at beginning of year	37	33	39	42	39
Recruitment during the year	7	14	9	7	15
Departures during the year	11	8	6	10	12
Number of staff at end of year	33	39	42	39	42
Staff turnover	30%	24%	15%	24%	31%

Source: Data from Shared Services Human Resources and Audit Office records. Turnover is the proportion of departures compared to staff numbers at the beginning of the year.

As the above table indicates, the staff turnover rate remains significant which requires the Audit Office to conduct recruitment activities and engage contractors on a short-term basis to assist in the completion of the financial and performance audit programs.

Staff departures in 2014-15 included retirements, officers resigning to accept promotions or to move interstate. Several short-term contractors' contracts also expired which meant these staff departed.

### A.8.2 Short-term human resource planning

To meet audit timetables, including legislated timelines, the Audit Office plans the allocation of permanent 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 a consultancy from the private sector or outsourcing some or part of an audit, particularly when the Audit Office does not have specialist skills required to complete the audit – such as 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 diversity of tasks, when possible.

#### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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### A.8.3 Learning and development

The Audit Office's learning and development program is developed through consultation between managers and staff. This program is focused on the high priority areas for staff development which is identified in individual Performance Development Plans.

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

The Audit Office encourages membership of relevant professional bodies, such as the Institute of Chartered Accountants in Australia or CPA Australia. In 2014-15, the Audit Office supported 15 staff in studying towards tertiary or professional qualifications.

In 2014-15, staff time spent on learning and development activities averaged five days per staff member plus an additional five days per staff member for the 15 staff who accessed study leave. Expenditure on external training courses including studies assistance was approximately \$51 000 with the full cost of the learning and development activities (including staff time) totalling approximately \$361 000.

Technical training was provided on financial and performance audit method and training on changes to accounting standards. Management training covered training on domestic violence awareness, quality conversations and organisation and time management.

Staff also received training on protective security and quality writing.

#### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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### A.8.4 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 42 staff employed in the Audit Office (including the Auditor-General) as at 30 June 2015 (40.9 full-time equivalent (FTE) staff).

The small size of the Audit Office's workforce means that providing detailed information on some aspects of the Office's workforce could infringe on 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

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- certain equity and diversity groups. In particular, the number and percentage of staff who have advised that they are from designated groups – ‘Aboriginal or Torres Strait Islander’, ‘culturally and linguistically diverse’ and ‘people with a disability’.

### A.8.4.1 Full time equivalent staff and head count

**Table A.7: FTE and head count by gender**

	Female	Male	Total
Full Time Equivalent	18.2	22.7	40.9
Headcount	19	23	42
<b>Percentage of workforce (based on headcount)</b>	<b>45%</b>	<b>55%</b>	<b>100%</b>

Source: Shared Services Human Resources and Audit Office records

### A.8.4.2 Classification groups

**Table A.8: Head count by classification and gender**

Classification group	Female	Male	Total
Statutory office holder	1	0	1
Executives	0	2	2
Professional and administrative officers	18	21	39
<b>Total</b>	<b>19</b>	<b>23</b>	<b>42</b>

Source: Shared Services Human Resources and Audit Office records

### A.8.4.3 Employment category by gender

**Table A.9: Head count by employment category and gender**

Employment category	Female	Male	Total
Permanent part-time	2	0	2
Permanent full-time	14	15	29
Temporary full-time	2	6	8
Temporary part-time	1	2	3
Casual	0	0	0
<b>Total</b>	<b>19</b>	<b>23</b>	<b>42</b>

Source: Shared Services Human Resources and Audit Office records

### A.8.4.4 Average length of service

The average length of service for staff in the Audit Office is 5.6 years with 5.4 years for males and 5.8 years for females.

**Table A.10: Average length of service by gender (headcount)**

Gender	Female	Male	Total
Average length of service	5.8	5.4	5.6

Source: Shared Services Human Resources and Audit Office records

Table A.10 shows that the average length of service for staff in the Audit Office is less than six years. Most of these staff (62 percent) fall in the category of 'Generation Y' (i.e. born in or after 1980).

Staff that have been with the Audit Office for periods of between six to ten years (21 percent) are evenly distributed across the age spectrum.

Staff who have been with the Office for 10 or more years (18 percent) are mostly 'baby boomers' (born 1946 to 1964) or 'Generation X' (born 1965 to 1979).

#### A.8.4.5 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 age group (50 percent of staff) is 'Generation Y' (i.e. born after 1980). A further 28 percent of staff are classified as 'Generation X' (born 1965 to 1979), while 21 percent are 'baby boomers' (born 1946 to 1964).

#### A.8.4.6 Agency profile

**Table A.11: FTE and headcount by division/branch**

Division/branch	FTE	Headcount
Executive	3	3
Financial Audits	22.8	23
Performance Audits	9.3	10
Professional Services	5.8	6
<b>Total</b>	<b>40.9</b>	<b>42</b>

Source: Shared Services Human Resources and Audit Office records

**Table A.12: Head count by division/branch and employment type**

Division/branch	Permanent	Temporary	Casual
Executive	0	3	0
Financial Audits	17	6	0
Performance Audits	8	2	0
Professional Services	5	1	0
<b>Total</b>	<b>30</b>	<b>12</b>	<b>0</b>

Source: Shared Services Human Resources and Audit Office records

#### A.8.4.7 Equity and workplace diversity

Staff who have advised they are from culturally and linguistically diverse backgrounds represent 40.5 percent of the workforce. Staff who have indicated they have a disability are also part of the workforce. No staff member has advised that they are Aboriginal or Torres Strait Islander.

**Table A.13: Recruitment and Separation Rates by Division**

Division/branch	Recruitment Rate	Separation Rate
Financial Audits	32.7%	13.1%
Performance Audits and professional services	23.6%	23.6%
<b>Total</b>	<b>28.6%</b>	<b>17.9%</b>

Source: Shared Services Human Resources and Audit Office records

**Table A.14: Recruitment and Separation Rates by Classification Group**

Division/branch	Recruitment Rate	Separation Rate
Professional Officers	28.6%	17.9%
<b>Total</b>	<b>28.6%</b>	<b>17.9%</b>

Source: Shared Services Human Resources and Audit Office records

#### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## A.9 Ecologically sustainable development

The ways in which the Audit Office accords with, and contributes to, the principles of ecologically sustainable development (ESD) as per the *Environment Protection Act 1997* are outlined in this section.

Staff are encouraged to use the following methods to assist in reducing the Audit Office's ecological footprint:

- minimise the number of printed documents, particularly those in colour;
- recycle paper using the appropriate bins;
- use electronic audit work papers;
- turn-off lights, computer equipment and monitors when not in use;
- use on-line information services such as messaging; and
- use public transport and walk to audit locations.

The Office also:

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

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

**Table A.15: Audit Office staff and floor area**

Staff and area	Unit	2013-14	2014-15	Percentage Change
Staff	FTE	38.7	40.9	6%
Workplace floor area	Area (m <sup>2</sup> )	500	500	-

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

In Table A.15, the staff numbers are of full-time equivalent (FTE) staff employed at the end of each reporting period and the workplace floor area is that occupied by the Audit Office on Level 4, 11 Moore Street, Canberra City.

As a result of recruitment to replace staff that had separated from the Audit Office, FTE stood at 40.9 FTE staff at 30 June 2015 compared to 38.7 FTE staff at 30 June 2014. The amount floor space occupied by the Audit Office remains unchanged from the prior year.

*Data on resource usage*

In June 2014, the ACT Government established an Enterprise Sustainability Platform (ESP), to provide a consistent approach to reporting sustainability data for ACT Government agencies and entities. ESP is managed by the Environment and Planning Directorate, which has provided the data on electricity usage for 2013-14 and 2014-15 shown in Table A.16, below.

**Table A.16: Stationary energy usage**

Stationary energy usage	Unit	2013-14	2014-15	Percentage change
Electricity use	Kilowatt hours	38 024	39 533	4%

Source: Environment and Planning Directorate

The electricity usage of the Audit Office was slightly higher in 2014-15 compared with the prior year.

**Table A.17: Transport fuel usage**

Transport fuel usage	Unit	2013-14	2014-15	Percentage Change
Total number of vehicles	Number	1	1	-
Total kilometres travelled	Kilometres	3 231	4 185	30%
Fuel use – Petrol	Kilolitres	0.19	0.26	37%

Source: Audit Office records

Audit Office staff have access to a hybrid vehicle. This vehicle is provided to a senior executive as part of their remuneration. Hybrid powered vehicles are fuel efficient and have low emissions.

Fuel use for business purposes is estimated by apportioning total fuel use on the basis of kilometres driven.

During 2014-15, approximately 4 185 kilometres was travelled for business purposes. The kilometres travelled for business purposes are slightly higher than the prior year due to business travel to Sydney to attend meetings relating to the Australasian Council of Auditors-General.

**Table A.18: Water usage**

Water usage	Unit	2013-14	2014-15	Percentage Change
Water use	Kilolitres	245	270	10%

Source: Building owner

Water use is estimated from the total use of water in the building apportioned by floor space occupied by the Audit Office. The amount of water used for the whole building in 2014-15 is higher than the prior year.

**Table A.19: Resource efficiency and waste**

Resource efficiency and waste indicators	Unit	2013-14	2014-15	Percentage change
Reams of paper purchased	Reams	368	476	29%
Recycled content of paper purchased	Percentage	0% Carbon neutral paper was used	63%	63%
Waste to landfill	Litres	Not known	Not known	-
Co-mingled material recycled	Litres	5 880	5 880	-
Paper and cardboard recycled (inc. secure paper)	Litres	21 120	19 200	(9%)
Organic material recycled	Litres	4 750	5 050	6%
<b>Total material recycled</b>	<b>Litres</b>	<b>31 750</b>	<b>30 130</b>	<b>(5%)</b>

Source: Audit Office records

The Audit Office's resource management practices did not change in 2014-15. The Office continued to try to minimise the use of paper by practices such as scanning and emailing documents and using electronic audit work papers. As Table A.19 shows, the Office had five percent less total material recycled mainly due to less paper and cardboard recycled in 2014-15 than in the prior year.

The Audit Office stopped using carbon neutral paper as under the whole of government arrangements with the provider carbon neutral paper is not included in the selection to achieve savings for the Territory.

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 volume of material recycled reduced by some five percent from 31 750 litres in 2013-14 to 30 130 litres in 2014-15, in part because of reduced use of paper. The Audit Office cannot estimate:

## A: Performance reporting

- the amount of paper recycled, as it is collected for recycling in the same container as cardboard; and
- 'Waste to landfill', as no records of the Office's waste are maintained by the contract cleaners employed by the property manager.

**Table A.20: Greenhouse gas emissions**

Greenhouse gas emissions	Unit	2013-14	2014-15	Percentage change
Emissions from stationary energy use	Tonnes CO <sub>2</sub> -e	40.31	37.41	(7%)
Emissions from transport total	Tonnes CO <sub>2</sub> -e	0.49	0.66	35%
<b>Total emissions</b>	<b>Tonnes CO<sub>2</sub>-e</b>	<b>40.80</b>	<b>38.07</b>	<b>(7%)</b>

Source: Environment and Planning Directorate

The Audit Office's estimated total emissions in 2014-15 were slightly lower than the levels for 2013-14. However, the emissions from transport are significantly higher as more kilometres were travelled in 2014-15 than in 2013-14 as per Table A.20.

### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## A.10 Public interest disclosures

The Auditor-General is a Disclosure Officer for receiving public interest disclosures 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:

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

One disclosure was received relating to the Audit Office and its operations and two disclosures were received relating to other ACT public sector entities (refer to Table A.21).

For disclosures relating to ACT public sector entities, the Office may:

- refer the disclosure to the subject entity for investigation;
- conduct an investigation into the disclosure; or

- conduct a performance audit into the issues associated with the disclosure.

In considering disclosures relating to public sector entities, the Office assesses if it is in the public interest to refer the disclosure to the subject entity or to conduct an investigation or a performance audit in relation to the disclosure. When the Audit Office considers it is in the public interest to manage a disclosure relating to a public sector entity, the Office has a practice of considering the disclosure through undertaking a performance audit which is tabled in the Legislative Assembly. 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 officers 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.

**Table A.21: Public Interest Disclosures in 2014-15**

Public Interest Disclosure Requirement	Details
Number of public interest disclosures received.	3 (Audit Office – issues associated with Audit Office procurement practices; Public Trustee - issue of potential fraud; and Health Directorate - issue of potential mismanagement of public monies).
Type of public interest disclosure under Section 8(1) of the PID Act – Note 1.	<p>1 public interest disclosure was received relating to section 8(1)(a)(i) of the PID Act (Public Trustee - issue of potential fraud).</p> <p>2 public interest disclosures were received relating to section 8(1)(a)(ii) of the PID Act (Audit Office – issues associated with procurement practices; and Health Directorate - issue of mismanagement of public monies).</p>

Public Interest Disclosure Requirement	Details
Number of public interest disclosures referred by other agencies.	1 (Audit Office – issues associated with Audit Office procurement practices).
Number of public interest disclosures investigated by the Audit Office.	2 (Audit Office – issues associated with Audit Office procurement practices; and Public Trustee - issue of potential fraud).
Number of public interest disclosures referred to other Government agencies for investigation.	1 (Health Directorate - issue of mismanagement of public monies).
Number of public interest disclosures on which the Audit Office has declined to act under Section 20 of the PID Act.	0
Average time taken for completed public interest disclosure investigation.	23 days. 1 investigation was completed in 2014-15 (Audit Office – issues associated with procurement practices).
Number of public interest disclosures substantiated by investigation.	0

Source: Audit Office records

Note 1

Section 8(1)(a) of the PID Act relates to conduct of a person that could, if proved:

- i. be a criminal offence against a law in force in the ACT; or
- ii. give reasonable grounds for disciplinary action against the person.

Section 8(1)(b) of the PID Act relates to action of a public sector entity or public official for a public sector entity that is any of the following:

- i. maladministration that adversely affects a person’s interests in a substantial and specific way;
- ii. a substantial misuse of public funds;
- iii. a substantial and specific danger to public health and safety; or
- iv. a substantial and specific danger to the environment.

The Audit Office received three public interest disclosures in 2014-15, as shown in Table A.21.

One public interest disclosure relating to section 8(1)(a)(ii) of the PID Act was investigated by the Audit Office. The matter related to potentially inappropriate practices associated with the procurement of contracted audit staff. The matter was investigated by the Audit Office’s Senior Executive Responsible for Business Integrity Risk and a report prepared for the Auditor-General. No inappropriate practices were substantiated through the investigation. The entity referring the disclosure and Commissioner for Public Administration were informed of the results of the investigation and the Public Accounts Committee was kept informed by the Audit Office.

One public interest disclosure relating to section 8(1)(a)(i) of the PID Act was investigated by the Audit Office. The matter related to potential fraud by a staff member of the ACT Public Trustee. The ACT Public Trustee was informed of the assertions and requested that the ACT Audit Office investigate the matter. As at 30 June 2015 the matter had not been finalised.

One public interest disclosure relating to section 8(1)(a)(ii) of the PID Act was referred to the Health Directorate. As at 30 June 2015 this matter had not been finalised.

**Further information can be obtained from:**

Mr Brett Stanton	Director, Performance Audits	(02) 6207 9534	brett.stanton@act.gov.au
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## A.11 Freedom of information

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

The A-G Act contains provisions protecting the integrity of an audit or investigation by the Auditor-General (sections 33-36 of the Act). Under these provisions, it is an offence for a person exercising a function of the Auditor-General to disclose 'protected information' to someone else. A document obtained in reviewing matters relevant to an audit or investigation is 'protected information' for the purposes of the A-G Act.

Section 38 of the FOI Act provides an exemption from access to documents to which secrecy provisions of enactments apply. 'Protected information' under the A-G Act would generally be exempt from FOI Act provisions.

The Audit Office has administrative guidelines in place for Office staff with FOI responsibilities: *Freedom of Information Guidelines – Advice for FOI Coordinator, Decision Makers and Action Officers*. These guidelines were reviewed and updated in September 2015.

The Office received one FOI request during 2014-15.

### A.11.1 Section 7 statement

Section 7 of the FOI Act requires the Audit Office to prepare and publish a statement outlining the Office's organisation, functions and decision-making powers, the categories of documents available, as well as the facilities available to the public for accessing the documents.

### A.11.1.1 Organisation, functions and decision-making powers

Details of the Audit Office's functions, operations and decision-making arrangements are included in Section A.1 of this report.

### A.11.1.2 Participation in the work of the Audit Office by members of the public

Members of the public can make representations directly to the Audit Office, or to their elected representatives in the Assembly who may, in turn, decide to make representations to the Office. These representations may be considered by the Audit Office, or used to inform performance audit work being undertaken or a future audit. Each representation is considered on a case-by-case basis and is managed accordingly.

### A.11.1.3 Categories of documents in the possession of the Audit Office

The Audit Office holds the following categories of documents:

- *Documents freely available on request and without charge.* These include audit reports produced by the Audit Office. These documents are available from the Office's website ([www.audit.act.gov.au](http://www.audit.act.gov.au)) and from libraries throughout the ACT;
- *Other kinds of documents that may be available under the FOI Act.* A wide range of documents, held by the Audit Office, may be available under the FOI Act. These documents may include general administrative files including internal, interagency and public documents, minutes of meetings of management and other committees, agendas and background papers, policies in connection with the Office's administrative functions, photographs, financial and accounting records, leases and deeds of agreement. The Office provides facilities enabling members of the public to obtain physical access to these documents; and
- *Documents obtained in the exercise of a function of the A-G Act.* These documents cannot be disclosed under section 34(1) of the A-G Act and include all internal working papers, documents and materials relating to audits, reviews and investigations performed by the Audit Office.

#### Further information can be obtained from:

Ms Sophie Butler-Stratton	Freedom of Information Coordinator	(02) 6207 0833	actauditorgeneral@act.gov.au
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### A.11.2 Section 8 statement

Section 8 of the FOI Act requires the Audit Office to prepare, and make available, an annual statement (which may be an index) of the documents that were used by, or provided by, the Office for the purpose of making a decision or recommendation under an enactment or scheme administered by the Office.

This 'Section 8 statement' was included in an Audit Office document titled '*Freedom of Information Act 1989 Section 7 and Section 8 statements*', which can be obtained by contacting the Office's FOI Coordinator.

### A.11.3 Section 79 statement

In 2014-15 the Audit Office received one request for access to documents under the FOI Act. Partial access to the documents requested was granted and the decision was notified in less than 31 days after the request was received. The Audit Office did not charge or collect any fees in relation to the processing of this FOI request. Additionally the applicant did not request for:

- amendment of records under section 48 of the FOI Act; or
- internal review of decisions under section 59 of the FOI Act.

#### Further information can be obtained from:

Ms Sophie Butler-Stratton	Freedom of Information Coordinator	(02) 6207 0833	actauditorgeneral@act.gov.au
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## B FINANCIAL MANAGEMENT REPORTING

### B.1 Financial management analysis

The Audit Office's financial results are discussed in this section.

**Table B.1: Financial results**

	2012-13 Actual \$ 000	2013-14 Actual \$ 000	2014-15 Actual \$ 000	2014-15 Budget \$ 000
<b>INCOME</b>				
Appropriation	2 545	2 625	2 701	2 719
Financial audit fees	3 376	3 807	3 854	3 786
Other income	202	213	138	95
Gains	-	-	24	-
<b>Total income</b>	<b>6 123</b>	<b>6 645</b>	<b>6 717</b>	<b>6 600</b>
<b>EXPENSES</b>				
Employee expenses	4 360	4 364	4 535	4 659
Supplies and services	1 635	1 918	2 324	1 874
Depreciation	97	97	162	98
Other expenses	14	3	23	-
<b>Total expenses</b>	<b>6 106</b>	<b>6 382</b>	<b>7 045</b>	<b>6 631</b>
<b>Operating surplus/(deficit)</b>	<b>17</b>	<b>263</b>	<b>(327)</b>	<b>(31)</b>

Source: Audit Office's audited financial statements

#### B.1.1 Income

*Total income* largely consists of *financial audit fees* and *appropriation*. *Financial audit fees* are charged for auditing financial statements and reviewing statements of performance of reporting agencies. The Audit Office attempts to recover the estimated costs of financial audits and reviews when charging *financial audit fees*.

The cost of completing the annual program of financial audits and reviews depends significantly on the number and complexity of audits and reviews, accounting and reporting requirements, adequacy of financial reporting systems, governance arrangements and internal controls implemented by reporting agencies, and the cost of

using contractors and consultants (e.g. accounting, information technology, actuarial and taxation experts) to assist in the completion of audits.

Further information on the setting of *financial audit fees* is provided in Appendix A.

The cost of performance audits is funded by appropriation which is used to funds other activities not covered by financial audit fees. These activities include responding to representations and public interest disclosures, briefings and submissions to Legislative Assembly committees, in particular, the Public Accounts Committee, providing technical advice to agencies on accounting and reporting matters, and reporting the results of the annual program of financial audits.

#### B.1.1.1 Income compared to budget estimates and prior years income

*Total income* (\$6.7 million) was comparable to the budget estimate (\$6.6 million) and previous year's amount (\$6.6 million) with *financial audit fees* and *appropriation* being consistent with the budgeted and prior year amounts.

#### B.1.1.2 Trends in income

**Table B.2: Trends in income**

	2014-15 Actual \$ 000	2015-16 Budget \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000
<b>INCOME</b>					
Appropriation	2 701	2 759	2 844	2 876	2 923
Financial audit fees	3 854	4 029	4 127	4 213	4 372
Other income	138	90	89	89	91
Gains	24	-	-	-	-
<b>Total income</b>	<b>6 717</b>	<b>6 878</b>	<b>7 060</b>	<b>7 178</b>	<b>7 386</b>

Source: Audit Office's audited financial statements and ACT Budget 2015-16 Budget Statements

*Total income* is budgeted to increase by \$669 000 (an average of 2.5 percent per annum) from 2014-15 to 2018-19. This budget increase consists of an estimated increase in:

- *financial audit fees* of \$518 000 (an average of 3.4 percent per annum); and
- *appropriation* of \$222 000 (an average of 2.1 percent per annum).

Budget estimates for *total income* for 2015-16 to 2018-19 have been prepared on the assumption that there will be no major changes to the:

- size and complexity of the financial audit program; and

- planned number of performance audits (seven performance audits per annum).

*Other income* is expected to fall in 2015-16 as budget estimates for other income from 2015-16 to 2018-19 only include estimates for interest income. Budget estimates do not include amounts for:

- workers' compensation insurance recoveries because any amounts that might be recovered depend on future decisions made by the insurer (Comcare) and progress of individual cases; and
- legal services received free of charge through the ACT Government Solicitor's Office because the legal services that may be required are unable to be reliably predicted.

## B.1.2 Expenses

Expenses consist of employee expenses, supplies and services costs (mainly contractors and consultants, accommodation, information technology, training and printing costs) and depreciation.

### B.1.2.1 Expenses compared to budget estimates

*Total expenses* exceeded the budgeted cost due to higher than budgeted *supplies and services* costs of \$450 000 (24.0 percent) and *depreciation* of \$64 000 (65.3 percent). These were partially offset by lower than budgeted *employee* expenses of \$124 000 (2.7 percent).

*Supplies and services* costs exceeded the budgeted cost by \$450 000 (24.0 percent) due mainly to higher than estimated costs of using contractors and consultants on:

- selected performance audits. These costs included the use of contractors to complete performance audits and subject matter experts; and
- several financial audits. Contractors were engaged because recruitment activities were unable to replace all departing staff.

*Depreciation* expenses exceeded the budgeted cost by \$64 000 (65.3 percent) as an upwards valuation of the office fit-out on 30 June 2014 (i.e. after the 2014-15 budget estimate was prepared) resulted in higher than expected *depreciation* in 2014-15.

*Employee expenses* incurred in 2014-15 were \$124 000 (2.7 percent) less than the budgeted cost. The 2014-15 budgeted estimate is based on the assumption that the budgeted number of staff (39) would be maintained. Delays in replacing departing performance and financial audit staff meant that the budgeted number of full-time equivalent staff (39) was unable to be maintained in 2014-15 (average number of full-time equivalent staff in 2014-15 (37.8)).

### B.1.2.2 Expenses compared to previous year's expenses

*Total expenses* increased by \$663 000 (10.4 percent) due to higher supplies and services costs of \$406 000 (21.1 percent), employee costs of \$171 000 (3.9 percent) and depreciation of \$65 000 (67.0 percent).

Supplies and services costs increased by \$406 000 (21.1 percent) due mainly to higher contractors and consultant costs resulting from an increased use of contractors and consultants to assist in completing performance and financial audits. Contractors and consultants were engaged on:

- selected performance audits to complete audit fieldwork and provide advice where subject matter experts were needed; and
- a short term basis to assist in completing several financial audits as departing Audit Office staff were unable to be replaced. Contractors and consultants were also engaged to provide expert accounting advice. These higher costs were, in most cases, recovered from financial audit fees.

*Employee expenses* incurred in 2014-15 exceeded the costs incurred in 2013-14 by \$171 000 (3.9 percent). This increase was mainly due to an increase in the long service leave liability as staff accrued entitlements in 2014-15. This was partially offset by a decrease in annual leave expenses due to a reduction in the annual leave liability.

*Depreciation* expenses increased by \$65 000 (67.0 percent) as an upwards valuation of the office fit-out on 30 June 2014 resulted in higher depreciation charges in 2014-15.

### B.1.2.3 Trends in expenses

**Table B.3: Trends in expenses**

	2014-15 Actual \$ 000	2015-16 Budget \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000
<b>EXPENSES</b>					
Employee expenses	4 535	4 947	5 067	5 129	5 195
Supplies and services	2 324	1 904	1 971	2 023	2 073
Depreciation	162	127	43	43	43
Other expenses	23	-	-	-	-
<b>Total expenses</b>	<b>7 045</b>	<b>6 978</b>	<b>7 081</b>	<b>7 195</b>	<b>7 311</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars

Source: Audit Office's audited financial statements and ACT Budget 2015-16 Budget Statements

*Total expenses* are estimated to increase by \$266 000 (an average of 0.9 percent per annum) from 2014-15 to 2018-19. This consists of an estimated increase in employee costs of \$660 000 (an average of 3.6 percent per annum). This is partially offset by an estimated decrease in:

- *supplies and services* costs of \$251 000 (an average of 2.7 percent per annum); and
- depreciation as the office fit-out is expected to be written off in 2015-16.

The estimates for *total expenses* from 2015-16 to 2018-19 are based on the assumption that:

- the budgeted number of staff is maintained. The expected increase of \$412 000 (9.1 percent) in *employee expenses* in 2015-16 reflects the budget assumption that previously mentioned salary savings generated by departing staff in 2014-15 do not recur in 2015-16; and
- there will be no major changes to the size and complexity of the financial audit program, and the planned number of performance audits (seven performance audits per annum).

### B.1.3 Operating results

#### B.1.3.1 Operating result compared to the budgeted operating result

The Audit Office's *operating deficit* of \$327 000 exceeds the budgeted *operating deficit* of \$31 000. This was mainly due to *total expenses* of \$7.045 million exceeding the budgeted cost of \$6.631 million by \$414 000 (6.2 percent).

#### B.1.3.2 Operating result compared to the previous year's operating result

The Audit Office incurred an *operating deficit* of \$327 000 in 2014-15 compared to an *operating surplus* of \$263 000 generated in 2013-14. This was due to an increase of \$663 000 (10.4 percent) in *total expenses* from \$6.382 million in 2013-14 to \$7.045 million in 2014-15.

**Table B.4: Trends in operating results**

	2014-15 Actual \$ 000	2015-16 Budget \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000
Operating (deficit)/surplus	(327)	(100)	(21)	(17)	75

Source: Audit Office's audited financial statements and ACT Budget 2015-16 Budget Statements

Consistent with the cost recovery nature of its operations, the Audit Office expects to incur small operating deficits over the period from 2015-16 to 2017-18 with a small surplus in 2018-19.

### B.1.4 Financial position

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

**Table B.5: Current financial position**

	Actual 2013 \$ 000	Actual 2014 \$ 000	Actual 2015 \$ 000	Budget 2015 \$ 000
Current assets	3 136	3 748	3 801	3 515
Current liabilities	1 616	1 832	1 977	1 780
<b>Net current assets</b>	<b>1 520</b>	<b>1 916</b>	<b>1 824</b>	<b>1 735</b>
<b>Current ratio</b>	<b>1.94</b>	<b>2.05</b>	<b>1.92</b>	<b>2.03</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars

Source: Audit Office's audited financial statements

While the short-term financial position at 30 June 2015 is slightly weaker than the budgeted and prior year positions, there was \$1.92 in current assets available to meet each dollar of current liabilities as at 30 June 2015.

The Audit Office has sufficient assets to meet its liabilities in the short-term.

**Table B.6: Long-term financial position**

	Actual 2013 \$ 000	Actual 2014 \$ 000	Actual 2015 \$ 000	Budget 2015 \$ 000
Current assets	3 136	3 748	3 801	3 515
Total liabilities	1 770	2 033	2 164	1 986
<b>Net long-term financial position</b>	<b>1 366</b>	<b>1 715</b>	<b>1 637</b>	<b>1 529</b>
<b>Ratio of current assets to total liabilities</b>	<b>1.77</b>	<b>1.84</b>	<b>1.76</b>	<b>1.78</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars

Source: Audit Office's audited financial statements

Non-current assets consist of plant and equipment. As plant and equipment assets are not available to meet the Audit Office's liabilities, the long-term position of the Audit Office is best assessed by comparing current assets to total liabilities.

While the long-term financial position at 30 June 2015 is weaker than the prior year position, it was consistent with the budgeted result. There was \$1.76 in *current assets* available to meet each dollar of *total liabilities* as at 30 June 2015. The Audit Office has sufficient assets to meet its liabilities.

**Further information can be obtained from:**

Mr Bernie Sheville	Director, Financial Audits and Chief Finance Officer	(02) 6207 0821	bernie.sheville@act.gov.au
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## B.2 Financial statements

### ACT AUDIT OFFICE

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements for the Audit Office for the year ended 30 June 2015, consisting of the:

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

fairly reflect the financial operations of the Audit Office for the year ended 30 June 2015 and financial position of the Audit Office on that date.

A handwritten signature in black ink, appearing to read 'M. Cooper.' with a stylized flourish underneath.

Dr Maxine Cooper  
Auditor-General

21 August 2015

**ACT AUDIT OFFICE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2015**

**STATEMENT BY THE ACTING CHIEF FINANCE OFFICER**

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2015, 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 generally accepted accounting principles, are in agreement with the Audit Office's accounts and records, and fairly reflect the financial operations of the Audit Office for the year ended 30 June 2015 and financial position of the Audit Office on that date.



Malcolm Prentice FCPA  
Acting Chief Finance Officer

21 August 2015

## Audit Opinion

**Di Bartolo Diamond & Mihailaros**  
An Australian Capital Territory Partnership



Chartered Accountants  
& Business Advisers

### INDEPENDENT AUDIT REPORT ACT AUDIT OFFICE

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the ACT Audit Office, which comprises the balance sheet as at 30 June 2015 and the operating statement, statement of changes in equity, cash flow statement and statement of appropriation for the year ended on that date, a summary of significant accounting policies and other explanatory notes.

#### *Auditor General's Responsibilities for the Annual Financial Statements*

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

#### *Audit Approach*

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

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

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the ACT Audit Office.

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

#### **Independence**

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

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Level 7, 28 University Ave | Canberra City | ACT 2601  
GPO Box 588 | Canberra City | ACT 2601

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

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## Audit Opinion (continued)

### Audit Opinion

In our opinion, the financial statements of the ACT Audit Office:

- Gives a true and fair view of the financial position of the ACT Audit Office as at 30 June 2015 and of its performance for the financial year ended on that date; and
- Is presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory professional reporting requirements.

PKF Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Canberra

Dated: 21 August 2015

## ACT AUDIT OFFICE

**OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note No.	Actual 2014-15 \$ 000	Budget* 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>INCOME</b>				
<i>Revenue</i>				
Appropriation (See <b>Note (a)</b> below)		2 701	2 719	2 625
Financial audit fees	5	3 854	3 786	3 807
Other income	6	138	95	213
<b>Total revenue</b>		<b>6 693</b>	<b>6 600</b>	<b>6 645</b>
<i>Gains</i>				
Gain on de-recognition of lease liability	7	24	-	-
<b>Total gains</b>		<b>24</b>	<b>-</b>	<b>-</b>
<b>Total income</b>		<b>6 717</b>	<b>6 600</b>	<b>6 645</b>
<b>EXPENSES</b>				
Employee expenses	8	4 535	4 659	4 364
Supplies and services	9	2 324	1 874	1 918
Depreciation	10	162	98	97
Other expenses	11	23	-	3
<b>Total expenses</b>		<b>7 045</b>	<b>6 631</b>	<b>6 382</b>
<b>Total expenses</b>		<b>7 045</b>	<b>6 631</b>	<b>6 382</b>
<b>Operating (deficit)/surplus</b>		<b>(327)</b>	<b>(31)</b>	<b>263</b>
<b>Other comprehensive income</b>				
Item that will not be reclassified subsequently to profit or loss:				
Increase in the asset revaluation surplus	20	-	-	87
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>87</b>
<b>Total comprehensive (deficit)/surplus</b>		<b>(327)</b>	<b>(31)</b>	<b>350</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

**ACT AUDIT OFFICE****OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015****Comparison of 2014-15 financial results to 2014-15 budget estimates**

The Audit Office's *operating deficit* of \$327 000 exceeds the budgeted *operating deficit* of \$31 000. This was mainly due to *total expenses* of \$7.045 million exceeding the budgeted cost of \$6.631 million by \$414 000 (6.2 percent).

*Total expenses* exceeded the budgeted cost due to higher than budgeted *supplies and services* costs of \$450 000 (24.0 percent) and *depreciation* of \$64 000 (65.3 percent). These were partially offset by lower than budgeted *employee* expenses of \$124 000 (2.7 percent).

Further information on these costs is provided in Note 9: Supplies and Services, Note 10: Depreciation and Note 8: Employee Expenses.

**Comparison of 2014-15 financial results to 2013-14 financial results**

The Audit Office incurred an *operating deficit* of \$327 000 in 2014-15 compared to an *operating surplus* of \$263 000 generated in 2013-14. This was due to an increase of \$663 000 (10.4 percent) in *total expenses* from \$6.382 million in 2013-14 to \$7.045 million in 2014-15.

The increase of \$663 000 (10.4 percent) in *total expenses* is due to higher *supplies and services* costs of \$406 000 (21.2 percent), *depreciation* of \$65 000 (67.0 percent) and employee costs of \$171 000 (3.9 percent).

Further information on these cost increases is provided in Note 9: Supplies and Services, Note 10: Depreciation and Note 8: Employee Expenses.

## ACT AUDIT OFFICE

BALANCE SHEET  
AS AT 30 JUNE 2015

	Note No.	Actual 2015 \$ 000	Budget* 2015 \$ 000	Actual 2014 \$ 000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash	12	1 851	2 017	2 279
Receivables	13	1 937	1 487	1 437
Other assets	14	12	11	32
<b>Total current assets</b>		<b>3 801</b>	<b>3 515</b>	<b>3 748</b>
<b>Non-current assets</b>				
Plant and equipment	15	53	128	234
<b>Total non-current assets</b>		<b>53</b>	<b>128</b>	<b>234</b>
<b>Total assets</b>		<b>3 854</b>	<b>3 643</b>	<b>3 982</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	16	310	60	205
Finance leases	17	-	20	5
Employee benefits	18	1 667	1 700	1 623
<b>Total current liabilities</b>		<b>1 977</b>	<b>1 780</b>	<b>1 832</b>
<b>Non-current liabilities</b>				
Finance leases	17	-	-	24
Employee benefits	18	125	131	114
Other liabilities	19	63	75	63
<b>Total non-current liabilities</b>		<b>187</b>	<b>206</b>	<b>200</b>
<b>Total liabilities</b>		<b>2 164</b>	<b>1 986</b>	<b>2 033</b>
<b>NET ASSETS</b>		<b>1 690</b>	<b>1 657</b>	<b>1 950</b>
<b>EQUITY</b>				
Accumulated funds		1 520	1 574	1 779
Asset revaluation surplus	20	170	83	170
<b>TOTAL EQUITY</b>		<b>1 690</b>	<b>1 657</b>	<b>1 950</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

## ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2015

<b>Year ended 30 June 2015</b>	<b>Accumulated Funds Actual 2014-15 \$ 000</b>	<b>Asset Revaluation Surplus Actual 2014-15 \$ 000</b>	<b>Total Equity Actual 2014-15 \$ 000</b>	<b>Budget* 2014-15 \$ 000</b>
<b>Balance at 1 July 2014</b>	<b>1 779</b>	<b>170</b>	<b>1 950</b>	<b>1 621</b>
<b><i>Comprehensive surplus/(deficit)</i></b>				
Operating surplus/(deficit)	(327)	-	(327)	(31)
Increase in the asset revaluation surplus	-	-	-	-
<b><i>Total comprehensive surplus/(deficit)</i></b>	<b>(327)</b>	<b>-</b>	<b>(327)</b>	<b>(31)</b>
<b>Transactions involving owners affecting accumulated funds</b>				
Capital injections	67	-	67	67
<b>Total transactions involving owners affecting accumulated funds</b>	<b>67</b>	<b>-</b>	<b>67</b>	<b>67</b>
<b>Balance at 30 June 2015</b>	<b>1 519</b>	<b>170</b>	<b>1 689</b>	<b>1 657</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

## ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE YEAR ENDED 30 JUNE 2015

<b>Year ended 30 June 2014</b>	<b>Accumulated Funds Actual 2013-14 \$ 000</b>	<b>Asset Revaluation Surplus Actual 2013-14 \$ 000</b>	<b>Total Equity Actual 2013-14 \$ 000</b>
<b>Balance at 1 July 2013</b>	<b>1 516</b>	<b>83</b>	<b>1 599</b>
<b><i>Comprehensive surplus/(deficit)</i></b>			
Operating surplus/(deficit)	263	-	263
Increase in the asset revaluation surplus	-	87	87
<b><i>Total comprehensive surplus/(deficit)</i></b>	<b>263</b>	<b>87</b>	<b>350</b>
<b>Transactions involving owners affecting accumulated funds</b>			
Capital Injections	-	-	-
<b>Total transactions involving owners affecting accumulated funds</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Balance at 30 June 2014</b>	<b>1 779</b>	<b>170</b>	<b>1 950</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

## ACT AUDIT OFFICE

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2015**

	Note No.	Actual 2014-15 \$ 000	Budget* 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Appropriation		2 701	2 719	2 625
Financial audit fees		3 359	3 856	3 894
Interest received		92	95	103
Goods and Services Tax collected from auditees		423	375	389
Goods and Services Tax refunded from the Australian Taxation Office		242	60	59
Other receipts		26	-	114
<b>Total receipts from operating activities</b>		<b>6 843</b>	<b>7 105</b>	<b>7 184</b>
<b>PAYMENTS</b>				
Employee payments		(4 475)	(4 359)	(4 246)
Payments for supplies and services		(2 275)	(2 097)	(1 777)
Goods and Services Tax paid on goods and services		(241)	(203)	(185)
Goods and Services Tax remitted to the Australian Taxation Office		(349)	(242)	(306)
<b>Total payments from operating activities</b>		<b>(7 340)</b>	<b>(6 901)</b>	<b>(6 514)</b>
<b>Net cash (outflows) / inflows from operating activities</b>	<b>(a)</b>	<b>(497)</b>	<b>204</b>	<b>670</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

**Note (a)** A reconciliation of the operating surplus to the net cash inflows from operating activities is presented in Note 26: 'Cash Flow Reconciliation'.

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

## ACT AUDIT OFFICE

### CASH FLOW STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2015

#### **Comparison of the Current Year's Results to Budget Estimates**

Net cash outflows from operating activities of \$497 000 exceeded the budgeted inflow of \$204 000 by \$701 000. This was mostly due to:

- lower than estimated receipts for financial audit fees (\$497 000); and
- higher than anticipated payments to suppliers (\$178 000) and employees (\$116 000).

#### **Comparison of the Current Year's Results to Previous Year's Results**

Net cash outflows from operating activities of \$497 000 exceeded the previous year's inflows of \$670 000. This was mainly due to a decrease in cash received from financial audit fees of \$497 000; an increase in employee payments of \$229 000; and an increase in payments for supplies and services of \$498 000.

- The decrease in financial audit fees mostly reflects the later stage of completion of the financial audit billing cycle up to 30 June 2015. In the prior year, this billing cycle was completed earlier than in 2014-15. This means that audit fees that would otherwise have been received in the 2014-15 reporting period will be received in the 2015-16 reporting period.
- The increase in employee payments largely relates to higher long service leave expenses due to a number of staff departing in 2014-15 and being paid out their entitlements.
- The increase in payments for supplies and services largely relates to an increased number of contractors and consultants used in 2014-15 to complete the performance audit and financial audit programs.

## ACT AUDIT OFFICE

**CASH FLOW STATEMENT (CONTINUED)**  
**FOR THE YEAR ENDED 30 JUNE 2015**

	Note No.	Actual 2014-15 \$ 000	Budget* 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Proceeds from sale of plant and equipment		11	-	-
<b>Total receipts from investing activities</b>		<b>11</b>	<b>-</b>	<b>-</b>
<b>PAYMENTS</b>				
Payments for plant and equipment		(4)	-	(9)
<b>Total payments from investing activities</b>		<b>(4)</b>	<b>-</b>	<b>(9)</b>
<b>Cash inflows / (outflows) from investing activities</b>		<b>7</b>	<b>-</b>	<b>(9)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>RECEIPTS</b>				
Capital Injections from Government		67	67	-
<b>Total receipts from investing activities</b>		<b>67</b>	<b>67</b>	<b>-</b>
<b>PAYMENTS</b>				
Payment of finance leases		(4)	(28)	(21)
<b>Total payments from financing activities</b>		<b>(4)</b>	<b>(28)</b>	<b>(21)</b>
<b>Cash inflows / (outflows) from financing activities</b>		<b>63</b>	<b>39</b>	<b>(21)</b>
<b>Net (decrease) / increase in cash</b>		<b>(427)</b>	<b>243</b>	<b>640</b>
Cash at the beginning of the reporting period		2 279	1 774	1 639
<b>Cash at the end of the reporting period</b>	<b>(b)</b>	<b>1 850</b>	<b>2 017</b>	<b>2 279</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

**Note (b)** A reconciliation of cash in the Cash Flow Statement to related items in the Balance Sheet is presented in Note 26: 'Cash Flow Reconciliation'.

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

**ACT AUDIT OFFICE**

**STATEMENT OF APPROPRIATION  
FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2014-15 Budget*</b>	<b>2014-15 Total Appropriated</b>	<b>2014-15 Appropriation Drawn</b>	<b>2013-14 Appropriation Drawn</b>
	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>
Appropriation	2 719	2 701	2 701	2 625
Capital Injection	67	67	67	-
<b>Total appropriation</b>	<b>2 786</b>	<b>2 768</b>	<b>2 768</b>	<b>2 625</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

\* Budget amounts disclosed above are sourced from 2014-15 Budget Statements.

Appropriation funding received by the Audit Office in 2014-15 (\$2 701 000) exceeded the amount received in 2013-14 (\$2 625 000). This increase of \$76 000 (2.9 percent) relates to the annual indexation of the 2013-14 appropriation.

The total amount appropriated and drawn down was \$18 000 less than budgeted (1 percent) due to whole of government adjustments for superannuation and annual leave.

A capital injection of \$67 000 was received to meet the cost of 27 pay periods instead of the normal 26 pay periods in 2015-16.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

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ACT AUDIT OFFICE

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for the Year Ended 30 June 2015**

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## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements****for the Year Ended 30 June 2015****1. Objectives of the Audit Office**

The objectives of the Audit Office are to inform the Assembly and community of the performance of ACT public services, promote accountability and contribute to improving the administration of ACT public services.

**2. Significant Accounting Policies**

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

**(a) Basis of Preparation****(i) Application of Generally Accepted Accounting Principles**

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

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

The Audit Office is an individual reporting entity.

**(ii) Accrual Accounting**

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

**(iii) Historical Cost Convention**

The financial statements have been prepared in accordance with the historical cost convention except for assets included in plant and equipment which were valued at fair value under the valuation policies applicable to the Audit Office during the reporting period.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements  
for the Year Ended 30 June 2015**

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

**(a) Basis of Preparation (Continued)**

**(iii) Historical Cost Convention (Continued)**

Fair value is the amount for which an asset could be exchanged between market participants in an orderly transaction at the measurement date.

Fair value is measured using market approach, cost approach or income approach valuation techniques as appropriate. In estimating the fair value of an asset, the characteristics of the asset are taken into account if market participants would take those characteristics into account when pricing the asset at measurement date.

For disclosure purposes, fair value measurements are classified into the Fair Value Hierarchy which is explained in Note 15: 'Plant and Equipment'.

**(iv) Significant Accounting Estimates and Judgement**

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

The areas involving a higher degree of judgement and complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2(m): 'Significant Estimates and Accounting Judgements'.

**(v) Functional and Presentation Currency**

The Financial statements are presented in Australian dollars, which is the Audit Office's functional and presentation currency.

**(vi) The Reporting Period**

The financial statements present the Audit Office's financial performance, changes in equity and cash flows for the year ended 30 June 2015 and its financial position as at 30 June 2015.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**2. Significant Accounting Policies (Continued)****(b) Comparatives****(i) Budget Information**

The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the Budget Papers. Budget figures contained in the 2014-15 Budget Statements are included in these financial statements to allow easy comparison to these Budget Papers.

**(ii) Prior Year Comparatives**

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

**(c) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$ 000). Use of “-” represents zero amounts or amounts rounded down to zero.

**(d) Revenue Recognition**

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

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the Audit Office and the recognition criteria for types of revenue described in Note 2 (d) (i) to (iv) is met.

**(i) Appropriation**

The Audit Office’s performance audit function and other activities related to its objectives are generally funded by an appropriation, while the cost of conducting financial audits is recovered from audit fees.

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

**(d) Revenue Recognition (Continued)**

**(ii) Financial Audit Fees**

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

**(iii) Interest**

Interest income is recognised using the effective interest rate method. Interest and distributions are recognised when earned.

**(iv) Workers' Compensation Insurance Recoveries**

Workers' compensation insurance recoveries are recognised when Comcare advises the Audit Office of the amounts to be received by the Office.

**(e) Cash**

Cash is stated at its nominal amount. For Cash Flow Statement presentation purposes, cash includes petty cash and cash at bank.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements****for the Year Ended 30 June 2015****2. Significant Accounting Policies (Continued)****(f) Receivables**

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

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

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

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

**(g) Plant and Equipment**

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

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

Plant and equipment is capitalised as an asset in the Balance Sheet when the value exceeds the plant and equipment capitalisation threshold of \$2 000. Amounts under this threshold are expensed in the Operating Statement.

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

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

Fair value is the amount for which an asset could be exchanged in an orderly transaction between market participants at measurement date. Fair value is measured using market prices when a market price is available for that asset or a similar asset, as this is the best evidence of an asset's fair value.

Where a market price cannot be obtained for an asset, because the asset is specialised and rarely sold, fair value is measured using the estimated cost of replacing the service capacity ('optimised depreciated replacement cost') for that asset. The estimated cost of replacing the service capacity of an asset will equal the estimated replacement cost of the asset where the service capacity of the asset would be replaced if the Audit Office were to be deprived of it.

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

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

## for the Year Ended 30 June 2015

**2. Significant Accounting Policies (Continued)****(g) Plant and Equipment (Continued)****(ii) Measurement of Plant and Equipment after Initial Recognition (Continued)**

Plant and equipment was valued at 30 June 2014. The next valuation is to be performed at 30 June 2017.

**(iii) Assets Held for Sale**

Assets held for sale are assets that are available for sale in their present condition and their sale is highly probable. Assets held for sale are measured at the lower of the carrying amount and fair value less cost to sell. An impairment loss is recognised for any initial or subsequent write-down of assets to fair value less costs to sell. Assets held for sale are not depreciated.

**(iv) Depreciation**

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

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

Leasehold improvements and motor vehicles under finance leases are depreciated over their useful lives or the unexpired period of the relevant leases, whichever is the shorter period.

Depreciation of plant and equipment is estimated as follows:

Class of Asset	Period of the Lease
Office fit-out	4 years
Motor vehicles under a finance lease	2 years

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

**(h) Impairment**

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

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

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

**(i) Payables**

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

Payables are unsecured and are usually paid within 30 days of recognition.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements****for the Year Ended 30 June 2015****2. Significant Accounting Policies (Continued)****(j) Employee Benefits**

Employee benefits include wages and salaries, annual leave, long service leave and applicable on-costs. 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 result of services provided by employees up to the reporting date that remain unpaid.

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

**(i) Wages and Salaries**

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

**(ii) Annual and Long Service Leave**

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service.

At the end of each reporting period, 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 of the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2014-15, the rate used to estimate the present value of future payments for annual leave was 101.0 percent.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements  
for the Year Ended 30 June 2015**

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

**(j) Employee Benefits (Continued)**

**(ii) Annual and Long Service Leave (Continued)**

The rate used to estimate the present value of future payments for long service leave was 104.2 percent in 2014-15 compared to 103.5 percent in 2013-14.

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of seven years of qualifying service, 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 liability for annual leave and long service leave includes estimated on-costs. As on-costs only become payable if the employee takes annual and long service leave while in-service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

The judgements and assumptions included in the estimation of annual and long service leave liabilities are determined by an actuary. The Australian Government Actuary performed this assessment in 30 June 2014. The assessment by an actuary is performed every five 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. The next actuarial review is expected to be undertaken by 30 June 2019. Further information about this estimate is provided in Note 2(m)(ii): 'Employee Benefits'.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

### **(j) Employee Benefits (Continued)**

#### **(ii) Annual and Long Service Leave (Continued)**

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 because the Audit Office has an unconditional right to defer the settlement of the liability until the employee has completed the required years of service.

#### **(iii) Superannuation**

##### **Defined Benefit Superannuation Schemes**

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

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

No liability for superannuation for employees in these defined benefit schemes is recognised in the Balance Sheet as the total Territory superannuation liability is recognised in the Chief Minister, Treasury and Economic Development Directorate's Superannuation Provision Account.

##### **Other Superannuation Schemes**

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

**(j) Employee Benefits (Continued)**

**(iii) Superannuation (Continued)**

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

**(k) Leases**

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

**(i) Finance Leases**

Finance leases effectively transfer to the Audit Office substantially all the risks and rewards incidental to ownership of the assets under a finance lease.

The title may or may not eventually be transferred. Finance leases are initially recognised as an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments each being determined at the inception of the lease.

The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets under a finance lease are depreciated over the shorter of the asset's useful life and lease term.

Leased assets are depreciated on a straight-line basis. The depreciation is calculated after first deducting any residual values which remain for each leased asset.

Each lease payment is allocated between interest expense and reduction of the lease liability. Lease liabilities are classified as current and non-current.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**2. Significant Accounting Policies (Continued)****(k) Leases (Continued)****(ii) Operating Leases**

Operating leases do not effectively transfer to the Audit Office substantially all the risks and rewards incidental to ownership of the asset under an operating lease.

Operating lease payments are recorded as an expense in the Operating Statement on a straight-line basis over the term of the lease.

**(iii) Motor Vehicle Leasing Arrangements 2014-15**

Changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet. As a result from 23 April 2015 all such motor vehicle leases were classified as operating leases rather than finance leases.

The leased vehicles held as Property, Plant and Equipment (under the previous finance lease arrangement with SG Fleet) were derecognised and the associated loss on the de-recognition of the leased vehicle assets is reflected in Other Expenses (refer to Note 11: Other Expenses).

The corresponding finance lease liability (current and non-current) was also derecognised and the associated gain from the de-recognition of the liability is reflected in Other Gains (refer to Note 7: Gains).

Accordingly, gross amounts for the loss on the de-recognition of the leased vehicles and the gain on the de-recognition of the finance lease liability have been reported separately rather than on a net basis, in these financial statements.

**(l) Other Liabilities - Provision for Make Good**

The Audit Office has recorded a liability and a corresponding asset for the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy if the Office was to leave the premises. The liability is based on an estimate provided by an independent valuer.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**

**for the Year Ended 30 June 2015**

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

**(l) Other Liabilities - Provision for Make Good (Continued)**

Provision for make good is assessed every three years as part of the revaluation of plant and equipment. The provision for make good was estimated at 30 June 2014. The next estimate is to be performed at 30 June 2017.

**(m) Significant Estimates and Accounting Judgements**

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

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

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

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

**(ii) Employee Benefits**

The estimated liability for annual and long service leave requires a consideration of the 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. Further information on this estimate is provided in Note 2(k)(ii): 'Annual and Long Service Leave'.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

**3. Changes to Significant Accounting Policies and Accounting Estimates and Corrections of Prior Period Errors**

There were no changes to significant accounting policies and accounting estimates during the reporting period. There were no corrections to the financial statements for material prior period errors.

**4. Impact of Accounting Standards Issued but yet to be Applied**

It is expected that the new and revised accounting standards and interpretations issued by the Australian Accounting Standards Board that apply to future reporting periods will not have a material financial impact on the Audit Office's future financial statements.

**5. Financial Audit Fees**

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
General Government Sector	2 430	2 444
Public Trading Enterprises	637	587
Other	788	775
<b>Total Financial Audit Fees</b>	<b>3 854</b>	<b>3 807</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

*Financial audit fees* in 2014-15 were consistent with fees earned in 2013-14.

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Financial audit fees	3 854	3 786
<b>Total Financial Audit Fees</b>	<b>3 854</b>	<b>3 786</b>

*Financial audit fees* in 2014-15 were consistent with the budgeted amount.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements  
for the Year Ended 30 June 2015**

**6. Other Income**

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Workers' compensation insurance recoveries	29	84
Interest	92	99
Legal services received free of charge from the ACT Government Solicitor's Office	18	30
<b>Total Other Income</b>	<b>138</b>	<b>213</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

*Total other income* decreased by \$75 000 (54.3 percent) due to a reduction in *workers' compensation insurance recoveries* of \$55 000 and *legal services received free of charge from the ACT Government Solicitor's Office* of \$12 000.

*Workers' compensation insurance recoveries* vary according to the progress of individual compensation cases, decisions made by the insurer (Comcare) and timing of those decisions.

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Other income	138	95
<b>Total Other Income</b>	<b>138</b>	<b>95</b>

*Total other income* exceeded the budgeted amount by \$43 000 (45.3 percent) due largely to unbudgeted income from *workers' compensation insurance recoveries*, and *legal services received free of charge through the ACT Government Solicitor's Office*.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**7. Gains**

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Gain on de-recognition of lease liability	24	-
<b>Total Gains</b>	<b>24</b>	<b>-</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The *gain on the de-recognition of the lease liability* was due to a whole of government change to leases for motor vehicles from finance leases to operating leases on 23 April 2015. Refer to Note 2(k): *Summary of Significant Accounting Policies – Leases*.

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Gain on de-recognition of lease liability	24	-
<b>Total Gains</b>	<b>24</b>	<b>-</b>

The *gain on the de-recognition of the lease liability* was not anticipated in the budget.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 8. Employee Expenses

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Salaries	3 791	3 776
Superannuation	547	540
Annual leave	(1)	(2)
Long service leave	141	10
Fringe Benefits Tax	13	3
Motor vehicle running costs	5	4
Borrowing costs on finance leases – motor vehicles	1	1
Workers' compensation insurance premium	38	32
<b>Total Employee Expenses</b>	<b>4 535</b>	<b>4 364</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

*Total employee expenses* incurred in 2014-15 exceeded the costs incurred in 2013-14 by \$171 000 (3.9 percent). This increase was mainly due to an increase in the long service leave liability as staff accrued entitlements in 2014-15. This was partially offset by a decrease in annual leave expenses due to a reduction in the annual leave liability.

The average number of full-time equivalent staff in 2014-15 (37.8) was slightly less than in 2013-14 (39.4).

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Employee expenses	4 535	4 659
<b>Total Employee Expenses</b>	<b>4 535</b>	<b>4 659</b>

*Total employee expenses* incurred in 2014-15 were \$124 000 (2.7 percent) less than the budgeted cost. The 2014-15 budgeted estimate is based on the assumption that the budgeted number of staff (39) would be maintained. Delays in replacing departing performance and financial audit staff meant that the budgeted number of full-time equivalent staff (39) was unable to be maintained in 2014-15 (average number of full-time equivalent staff in 2014-15 (37.8)).

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 9. Supplies and Services

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Contractors and consultants:		
– Performance audits	553	187
– Financial audits	698	635
– Other	193	144
<b>Sub-total</b>	<b>1 444</b>	<b>967</b>
Accommodation lease	256	247
Information technology	284	325
Training	51	51
Printing	25	25
Payroll and recruitment processing	20	20
Recruitment and advertising costs	44	77
Electricity, gas and cleaning	32	34
Telephones	14	17
Travel	12	6
Library journals and subscriptions	25	20
Security	12	11
Insurance	8	8
Audit fees	13	12
Legal services received free of charge from the ACT Government Solicitor's Office	18	30
Other	68	71
<b>Sub-total</b>	<b>881</b>	<b>951</b>
<b>Total Supplies and Services</b>	<b>2 324</b>	<b>1 918</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 9. Supplies and Services (Continued)

*Supplies and services* costs increased by \$406 000 (21.2 percent) due mainly to an increased use of contractors and consultants to assist in completing performance and financial audits. Contractors and consultants were engaged on:

- selected performance audits to complete audit fieldwork and provide advice where subject matter experts were needed; and
- on a short term basis to assist in completing several financial audits as departing Audit Office staff were unable to be replaced. Contractors and consultants were also engaged to provide expert accounting advice. These higher costs were, in most cases, recovered from financial audit fees.

Comparison to Budget	Actual	Budget
	2014-15 \$ 000	2014-15 \$ 000
Supplies and services	2 324	1 874
<b>Total Supplies and Services</b>	<b>2 324</b>	<b>1 874</b>

*Supplies and services* costs exceeded the budgeted cost by \$450 000 (24.0 percent) due mainly to higher than estimated costs of using *contractors and consultants* on:

- selected performance audits. These costs included the use of contractors to complete performance audits and subject matter experts; and
- several financial audits. Contractors were engaged because recruitment activities were unable to replace all departing staff.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**10. Depreciation**

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Office fit-out	158	92
Motor vehicles under a finance lease	4	5
<b>Total Depreciation</b>	<b>162</b>	<b>97</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

*Depreciation* expenses increased by \$66 000 (68.0 percent) as an upwards valuation of the office fit-out on 30 June 2014 resulted in higher *depreciation* charges in 2014-15.

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Depreciation	162	98
<b>Total Depreciation</b>	<b>162</b>	<b>98</b>

*Depreciation* expenses exceeded the budgeted cost by \$64 000 (65.3 percent) as an upwards valuation of the office fit-out on 30 June 2014 (i.e. after the 2014-15 budget estimate was prepared) resulted in higher than expected depreciation in 2014-15.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 11. Other Expenses

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
Loss on derecognition of motor vehicle under finance lease	23	-
Impairment loss on an asset held for sale - motor vehicle	-	3
<b>Total Other Expenses</b>	<b>23</b>	<b>3</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The *loss on the de-recognition of motor vehicle under finance lease* was due to a whole of government change to leases for motor vehicles from finance leases to operating leases on 23 April 2015. Also refer to Note 2(k): *Summary of Significant Accounting Policies – Leases*.

Comparison to Budget	Actual 2014-15 \$ 000	Budget 2014-15 \$ 000
Other expenses	23	-
<b>Total other expenses</b>	<b>23</b>	<b>-</b>

The *loss on the de-recognition of motor vehicle under finance lease* was not anticipated in the budget.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 12. Cash

	Actual 2015 \$ 000	Actual 2014 \$ 000
Bank	1 851	2 278
Petty cash	0	1
<b>Total Cash</b>	<b>1 851</b>	<b>2 279</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

Bank represents cash held with Westpac Bank. Cash at bank earned an average floating interest rate of 2.9 percent in 2014-15 (3.4 percent in 2013-14).

Bank funds may be withdrawn upon request.

Cash decreased by \$428 000 (23.1 percent) due largely to an increase in the net cash outflows incurred in the Audit Office's operating activities. This decrease is explained in the Cash Flow Statement.

Comparison to Budget	Actual 2015 \$ 000	Budget 2015 \$ 000
Cash	1 851	2 017
<b>Total Cash</b>	<b>1 851</b>	<b>2 017</b>

Cash was less by \$166 000 (32.0 percent) than budget due largely to the net cash outflows incurred in the Audit Office's operating activities. This decrease is explained in the Cash Flow Statement.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 13. Receivables

	Actual 2015 \$ 000	Actual 2014 \$ 000
Invoiced financial audit debtors (i)	1 573	728
Accrued financial audit income (ii)	343	694
<b>Sub-total</b>	<b>1 916</b>	<b>1 422</b>
Other receivables	21	-
Goods and Services Tax net receivable (iii)	-	10
Fringe Benefits Tax receivable (iv)	-	5
<b>Sub-total</b>	<b>21</b>	<b>15</b>
<b>Total Receivables</b>	<b>1 937</b>	<b>1 437</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

- (i) Invoiced financial audit debtors are amounts billed for audits of financial statements and/or review of statements of performance. Credit terms are net 30 days.
- (ii) Accrued financial audit income is unbilled amounts receivable for audit work performed up until the end of the reporting period. It includes amounts recoverable from auditees for amounts billed to the Audit Office by audit contractors, information technology consultants, tax specialists, actuaries or other specialists engaged to assist the completion of the financial audit program.
- (iii) Goods and Services Tax net receivable is the amount receivable from the Australian Taxation Office when the Business Activity Statement is lodged on a quarterly basis. The amount is the net of the Goods and Services Tax paid on supplies and the Goods and Services Tax collected from financial audits payable to the Australian Taxation Office.

As disclosed in Note 16: 'Payables' there is a net amount payable to the Australian Taxation Office at 30 June 2015.

- (iv) Fringe Benefits Tax receivable is the amount recoverable from the Australian Taxation Office and Shared Services relating to staff salary packaging arrangements.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**13. Receivables (Continued)**

Credit risk relating to receivables is disclosed in Note 25(b): 'Credit Risk Exposure'. Receivables are non-interest bearing.

*Total receivables* increased by \$500 000 (34.8 percent) due to the later timing of when some financial audit debtors were invoiced in 2014-15.

Comparison to Budget	Actual 2015 \$ 000	Budget 2014 \$ 000
Receivables	1 937	1 487
<b>Total Receivables</b>	<b>1 937</b>	<b>1 487</b>

*Total receivables* exceeded the budgeted amount by \$450 000 (30.2 percent) due to the later timing of when some financial audit debtors were invoiced in 2014-15.

	Not Overdue \$ 000	Overdue			Total \$ 000
		Less than 30 Days \$ 000	30 to 60 Days \$ 000	Greater than 60 Days \$ 000	
<b>Actual 2015</b>					
<b>Not Impaired</b>					
Receivables	1 920	17	-	-	1 937
<b>Impaired</b>					
Receivables	-	-	-	-	-
<b>Not Impaired</b>					
Receivables	1 437	-	-	-	1 437
<b>Impaired</b>					
Receivables	-	-	-	-	-

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**13. Receivables (Continued)**

<b>Receivables with ACT Government Entities</b>	<b>2015</b>	<b>2014</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Invoiced financial audit debtors	1 260	621
Accrued financial audit income	272	624
Fringe Benefit Tax receivables	-	5
Other receivables	21	
<b>Sub-total</b>	<b>1 553</b>	<b>1 250</b>
Less: Allowance for impairment	-	-
<b>Total Receivables with ACT Government Entities</b>	<b>1 553</b>	<b>1 250</b>
<b>Receivables with Non-ACT Government Entities</b>		
Invoiced financial audit debtors	313	107
Accrued financial audit income	71	70
Goods and Services Tax net receivable	-	10
<b>Sub-total</b>	<b>384</b>	<b>187</b>
Less: Allowance for impairment	-	-
<b>Total Receivables with Non-ACT Government Entities</b>	<b>384</b>	<b>187</b>
<b>Total Receivables</b>	<b>1 937</b>	<b>1 437</b>

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 14. Other Assets

	Actual 2015 \$ 000	Actual 2014 \$ 000
Prepayments	12	21
Asset held for sale - motor vehicle	-	11
<b>Total Other Assets</b>	<b>12</b>	<b>32</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

Prepayments were lower in 2014-15 than the previous year. This is a result of invoices for the employee assistance program and time recording system being issued later than in the previous year.

One motor vehicle that was provided as part of the remuneration of a senior executive was held for sale at 30 June 2014.

Comparison to Budget	Actual 2015 \$ 000	Budget 2014 \$ 000
Other current assets	12	11

*Total other current assets* were consistent with the budget.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 15. Plant and Equipment

	Actual 2015 \$ 000	Actual 2014 \$ 000
Office fit-out (at fair value)	211	207
Less: Accumulated depreciation	(158)	-
<b>Sub-total</b>	<b>53</b>	<b>207</b>
Motor vehicles under a finance lease (at fair value)	-	28
Less: Accumulated depreciation	-	-
<b>Sub-total</b>	<b>-</b>	<b>28</b>
<b>Total Plant and Equipment</b>	<b>211</b>	<b>234</b>
<b>Less: Accumulated Depreciation</b>	<b>(158)</b>	<b>-</b>
<b>Total Plant and Equipment</b>	<b>53</b>	<b>234</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The office fit-out is measured at fair value. An independent valuation of the office fit-out was performed by RHAS at 30 June 2015.

Leased assets are pledged as security for the related finance lease liabilities.

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

The fair valuation of the office fit-out is based on its estimated depreciated replacement cost.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

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

Reconciliation of the Movements in the Carrying Amounts of Plant and Equipment	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>Office fit-out</b>		
Carrying amount at the beginning of the reporting period	207	215
Additions	4	9
Revaluation increment as a result of an increase in the estimated fair value of the office fit-out (Note 20: 'Asset Revaluation Surplus')	-	75
Depreciation (Note 10: 'Depreciation')	(158)	(92)
<b>Carrying amount at the end of the reporting period</b>	<b>53</b>	<b>207</b>

Totals shown may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The *office fit-out* was re-valued on 30 June 2014. As a result additional depreciation charges have been incurred in 2014-15 which has led to an overall decrease in the carrying amount of the office fit-out asset.

Comparison to Budget	Actual 2015 \$ 000	Budget 2014 \$ 000
Property, plant and equipment	53	128

*Property, plant and equipment* is less than the budgeted amount because of the valuation of the office fit-out carried out on 30 June 2014, after the budget statements were prepared.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

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

Reconciliation of the Movements in the Carrying Amounts of Plant and Equipment (Continued)	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>Motor vehicles under a finance lease</b>		
Carrying amount at the beginning of the reporting period	28	19
Additions	-	28
Transfer to asset held for sale - motor vehicle (Note 14: 'Other Assets')	-	(11)
Impairment loss on an asset held for sale - motor vehicle (Note 11: 'Other Expenses')	-	(3)
Loss on de-recognition of finance lease - motor vehicle	(23)	-
Depreciation	(4)	(5)
<b>Carrying amount at the end of the reporting period</b>	<b>-</b>	<b>28</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

**Fair Value Hierarchy**

The Audit Office is required to classify plant and equipment using a Fair Value Hierarchy that reflects the significance of the inputs used in determining their fair value. The Fair Value Hierarchy is made up of:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – inputs that are unobservable for particular assets.

Details of plant and equipment at fair value and information about the Fair Value Hierarchy as at 30 June 2015 and 30 June 2014 are provided in the table on the next page.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 15. Plant and Equipment (Continued)

	Classification According to Fair Value Hierarchy			Total \$ 000
	Level 1	Level 2	Level 3	
	\$ 000	\$ 000	\$ 000	
<b>Plant and Equipment at Fair Value</b>				
<b>2015</b>				
Office fit-out	-	-	53	53
	-	-	<b>53</b>	<b>53</b>
<b>2014</b>				
Office fit-out	-	-	207	207
	-	-	<b>207</b>	<b>207</b>

**Transfers between Categories**

There were no transfers between Levels 1, 2 and 3 during the current and previous reporting periods.

**Valuation Techniques and Inputs*****Level 3 Valuation Techniques and Inputs***

**Valuation Technique:** The office fit-out is considered to be a specialised asset. The value of the fit-out was measured using the cost approach that reflects the cost to a market participant to construct assets of comparable utility adjusted for obsolescence.

**Inputs:** The age and condition of the assets was considered in estimating the replacement cost and current use of the office fit-out.

There was no change to valuation techniques during the reporting period.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**15. Plant and Equipment (Continued)****Fair Value Measurements using Significant Unobservable Inputs (Level 3)**

<b>Office Fit-out</b>	<b>Actual 2015 \$ 000</b>	<b>Actual 2014 \$ 000</b>
Fair value at the beginning of the reporting period	207	215
Additions	4	9
Revaluation increment as a result of an increase in the estimated fair value of the office fit-out (Note 20: 'Asset Revaluation Surplus')	-	75
Depreciation (Note 10: 'Depreciation')	(158)	(92)
<b>Fair value at the end of the reporting period</b>	<b>53</b>	<b>207</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

<b>Information about Significant Unobservable Inputs (Level 3) in Fair Value Measurements</b>						
Description	Fair Value as at 30 June		Significant Unobservable Inputs	Range of Unobservable Inputs		Relationship of Unobservable Inputs to Fair Value
	2015 \$ 000	2014 \$ 000		2015	2014	
Valuation Technique: Optimised depreciated replacement cost*						
Office fit-out	53	207	Physical obsolescence (useful life)	3 to 20 years	3 to 20 years	A longer useful life increases the fair value of the office fit-out

\* Where a market price cannot be obtained for an asset, because the asset is specialised and rarely sold, fair value is measured using the estimated cost of replacing the service capacity ('optimised depreciated replacement cost') for that asset. The estimated cost of replacing the service capacity of an asset will equal the estimated replacement cost of the asset where the service capacity of the asset would be replaced if the Audit Office were to be deprived of it.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**16. Payables**

	Actual 2015 \$ 000	Actual 2014 \$ 000
Creditors and accruals	244	205
Goods and Services Tax – net payable (i)	65	-
<b>Total Payables</b>	<b>310</b>	<b>205</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

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

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

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

As disclosed in Note 13: 'Receivables' there was a net amount receivable from the Australian Taxation Office at 30 June 2014.

*Payables* increased by \$105 000 (51.2 percent) due mainly to higher amounts being owed to audit contractors and consultants engaged to assist in the completion of performance audits and financial audits at the end of the reporting period and a net payable for Goods and Services Tax to the Australian Taxation Office.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**16. Payables (Continued)**

Comparison to Budget	Actual 2015 \$ 000	Budget 2014 \$ 000
Payables	310	60

*Payables* exceeded budget by \$250 000 (416.6 percent) due mainly to higher amounts being owed to audit contractors and consultants engaged to assist in the completion of performance audits and financial audits at the end of the reporting period.

Aging of Payables	Actual 2015 \$ 000	Actual 2014 \$ 000
Not overdue	244	205
Overdue for less than 30 days	-	-
Overdue for 30 to 60 days	-	-
Overdue for more than 60 days	-	-
<b>Total Payables</b>	<b>244</b>	<b>205</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 16. Payables (Continued)

Payables with ACT Government Entities	Actual 2015 \$ 000	Actual 2014 \$ 000
Creditors and accruals	73	67
<b>Total Payables with ACT Government Entities</b>	<b>73</b>	<b>67</b>
<b>Payables with Non-ACT Government Entities</b>		
Creditors and accruals	171	137
Goods and Services Tax – net payable (i)	65	-
<b>Total Payables with Non-ACT Government Entities</b>	<b>237</b>	<b>137</b>
<b>Total Payables</b>	<b>310</b>	<b>205</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## 17. Finance Leases

	Actual 2015 \$ 000	Actual 2014 \$ 000
Current - due at the reporting date	-	5
Non-current - not due at the reporting date	-	24
<b>Total Finance Leases</b>	<b>-</b>	<b>29</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

**17. Finance Leases (Continued)**

One motor vehicle was provided under a finance lease as part of the remuneration of a senior executive in 2014-15 and 2013-14.

Changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet resulting in leases being classified as operating leases rather than finance leases from 23 April 2015.

Comparison to Budget	Actual 2015 \$ 000	Budget 2014 \$ 000
Current - due at the reporting date	-	20
Non-current - not due at the reporting date	-	-
<b>Total Finance Leases</b>	<b>-</b>	<b>20</b>

Changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet resulting in leases being classified as operating leases rather than finance leases from 23 April 2015.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**18. Employee Benefits**

	Actual 2015 \$ 000	Actual 2014 \$ 000
<b>Current - due at the reporting date</b>		
Accrued salaries	169	253
Salary packaging expenses	3	3
Annual leave	632	634
Long service leave	863	733
<b>Sub-total</b>	<b>1 667</b>	<b>1 623</b>
<b>Non-current - not due at the reporting date</b>		
Long service leave	125	114
<b>Sub-total</b>	<b>125</b>	<b>114</b>
<b>Total Employee Benefits</b>	<b>1 792</b>	<b>1 737</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

Total *employee benefits* increased by \$33 000 (1.9 percent) due mainly to an increase in long service leave and partially offset by a decrease in accrued salaries.

<b>Comparison to Budget</b>	Actual 2015 \$ 000	Budget 2014 \$ 000
Employee benefits	1 792	1 831
<b>Total Employee Benefits</b>	<b>1 792</b>	<b>1 831</b>

Total *employee benefits* was less than the budgeted amount of \$1 831 000 by \$39 000 (2.1 percent) due to delays in replacing departing performance and financial audit staff.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

**18. Employee Benefits (Continued)**

As disclosed in Note 2(j): 'Employee Benefits' these liabilities are classified as current where there is no unconditional right to defer the settlement of the liabilities for at least 12 months, irrespective of when the liability is expected to be settled. Information on employee benefits estimated to be payable within 12 months and after 12 months is disclosed below.

For Information Purposes Only	Actual 2015 \$ 000	Actual 2014 \$ 000
<b>Estimated amount payable within 12 months</b>		
Accrued salaries	169	253
Salary packaging expenses	3	3
Annual leave	327	335
Long service leave	8	38
<b>Sub-total</b>	<b>507</b>	<b>629</b>
<b>Estimated amount payable after 12 months</b>		
Annual leave	305	299
Long service leave	980	809
<b>Sub-total</b>	<b>1 285</b>	<b>1 108</b>
<b>Total Employee Benefits</b>	<b>1 792</b>	<b>1 737</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

**Staffing Levels**

The number of full-time equivalent staff employed by the Audit Office at 30 June 2015 was 40.1 compared to 38.7 at 30 June 2014.

The *average* number of full-time equivalent staff employed in 2014-15 was 37.8 compared to 39.4 in 2013-14.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**19. Other Liabilities**

	Actual 2015 \$ 000	Actual 2014 \$ 000
<b>Non-current</b>		
Provision for make good	63	63
<b>Total Other Liabilities</b>	<b>63</b>	<b>63</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The provision for make-good was estimated by RHAS at 30 June 2014. There was no change as at 30 June 2015.

	Actual 2015 \$ 000	Actual 2014 \$ 000
<b>Reconciliation of the Provision for Make Good</b>		
Balance at the beginning of the reporting period	63	75
Reduction in provision as a result of a decrease in the estimated cost of make good (Note 20: 'Asset Revaluation Surplus')	-	(13)
<b>Balance at the end of the reporting period</b>	<b>63</b>	<b>63</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

<b>Comparison to Budget</b>	Actual 2015 \$ 000	Budget 2014 \$ 000
<b>Non-current</b>		
Provision for make good	63	75
<b>Total Other Liabilities</b>	<b>63</b>	<b>75</b>

The estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy in the event the Office were to leave the premises was less than anticipated in the budget.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

**20. Asset Revaluation Surplus**

	Actual 2015 \$ 000	Actual 2014 \$ 000
Balance at the beginning of the reporting period	170	83
Revaluation increment as a result of an increase in the estimated fair value of the office fit-out (Note 15: 'Plant and Equipment')	-	75
Revaluation increment as a result of a decrease in provision for make good (Note 19: 'Other Liabilities')	-	13
<b>Increase in the asset revaluation surplus</b>	<b>-</b>	<b>87</b>
<b>Balance at the end of the reporting period</b>	<b>170</b>	<b>170</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

An independent valuation of the office fit-out was performed by RHAS at 30 June 2014.

**21. Auditor's Remuneration**

An independent auditor was selected by the Chief Minister, Treasury and Economic Development Directorate to conduct audits of the Audit Office's financial statements and reviews of the Office's statement of performance for the 2013-14 and 2014-15 financial years. The auditor did not provide other services to the Audit Office.

The auditor's remuneration for 2014-15 is \$12 500 excluding GST (2013-14: \$11 500).

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**22. Commitments****Finance Lease Commitments**

Finance lease commitments for motor vehicles are as follows:

	Actual 2015 \$ 000	Actual 2014 \$ 000
Not later than one year	-	6
Later than one year and not later than five years	-	26
<b>Sub-total</b>	<b>-</b>	<b>32</b>
Less: Future interest charges	-	3
<b>Total Finance Lease Commitments</b>	<b>-</b>	<b>29</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

Changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet that resulted in these leases being classified as operating leases rather than finance leases from 23 April 2015.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**22. Commitments (Continued)****Operating Lease Commitments**

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

	Actual 2015 \$ 000	Actual 2014 \$ 000
Not later than one year	279	462
Later than one year and not later than five years	436	528
Later than five years	-	-
<b>Total Operating Lease Commitments</b>	<b>716</b>	<b>990</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

Most information technology equipment is under four-year leases and accommodation is under a five-year lease.

The decrease in operating lease commitments resulted largely from there being no current date available for the new lease arrangements for accommodation. Hence, no commitment can be made for accommodation past the current year.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**22. Commitments (Continued)****Other Commitments**

Other commitments including GST to contractors are as follows.

	Actual 2015 \$ 000	Actual 2014 \$ 000
Not later than one year	323	412
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total Other Commitments</b>	<b>323</b>	<b>412</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

*Other commitments* decreased from the prior year as some contracts for financial audit contractors have been completed or renegotiated.

**23. Contingent Liabilities**

No contingent liabilities are known to exist at 30 June 2015. There were no contingent liabilities at 30 June 2014.

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

No act of grace payments were made during in 2014-15 or 2013-14.

**(b) Waivers**

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

There were no waivers of public monies during in 2014-15 or 2013-14.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

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

**(c) Write-Offs and Impairment Losses**

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

Write-offs and impairment losses are disclosed in Note 11: 'Other Expenses'.

**25. Financial Instruments**

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

**(a) Interest Rate Risk**

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

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

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

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

The Audit Office is exposed to movements in the amount of interest it may earn on cash. As the Office's operating cash flows are not significantly dependant on interest earned from cash, a sensitivity analysis of the interest rate risk has not been performed.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements****for the Year Ended 30 June 2015****25. Financial Instruments (Continued)****(b) 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 financial assets, net of any allowance made for impairment. This is shown below in Note 25(h): 'Maturity Analysis and Exposure to Interest Rates'.

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 audit fees charged by the Audit Office.

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

**(c) Liquidity Risk**

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

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

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

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**25. Financial Instruments (Continued)****(d) Price Risk**

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

The Audit Office is not exposed to price risk.

**(e) Currency Risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Audit Office is not exposed to currency risk as all of its transactions are conducted in Australian dollars.

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

There were no unrecognised financial assets or financial liabilities.

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

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

	Note	Carrying 2015 \$ 000	Fair Value 2015 \$ 000	Carrying 2014 \$ 000	Fair Value 2014 \$ 000
<b>Financial Assets</b>					
Cash	12	1 851	1 851	2 279	2 279
Receivables	13	1 937	1 937	1 437	1 437
<b>Total Financial Assets</b>		<b>3 789</b>	<b>3 789</b>	<b>3 716</b>	<b>3 716</b>
<b>Financial Liabilities</b>					
Payables	16	310	310	205	205
Finance leases	17	-	-	29	29
<b>Total Financial Liabilities</b>		<b>310</b>	<b>310</b>	<b>233</b>	<b>233</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 25. Financial Instruments (Continued)

## (h) Maturity Analysis and Exposure to Interest Rates

The following tables set out the Audit Office's maturity analysis for financial assets and financial liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period, as at 30 June 2015 and 30 June 2014.

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

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

As at 30 June 2015	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing in One Year or Less	Fixed Interest Rate Maturing in One to Two Years	Non-Interest Bearing	Total
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
<b>Financial Assets</b>						
Cash	2.9%	1 851	-	-	-	1 851
Receivables		-	-	-	1 937	1 937
<b>Total</b>		<b>1 851</b>	<b>-</b>	<b>-</b>	<b>1 938</b>	<b>3 789</b>
<b>Financial Liabilities</b>						
Payables		-	-	-	310	310
Finance leases		-	-	-	-	-
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>310</b>	<b>310</b>
<b>Net Financial</b>						
<b>Assets/(Liabilities)</b>		<b>1 851</b>	<b>-</b>	<b>-</b>	<b>1 628</b>	<b>3 479</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

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

As at 30 June 2014	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing in One Year or Less	Fixed Interest Rate Maturing in One to Two Years	Non-Interest Bearing	Total
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
<b>Financial Assets</b>						
Cash	3.4%	2 278	-	-	1	2 279
Receivables		-	-	-	1 437	1 437
<b>Total</b>		<b>2 278</b>	<b>-</b>	<b>-</b>	<b>1 438</b>	<b>3 716</b>
<b>Financial Liabilities</b>						
Payables		-	-	-	205	205
Finance leases		-	5	24	-	29
<b>Total</b>		<b>-</b>	<b>5</b>	<b>24</b>	<b>205</b>	<b>233</b>
<b>Net Financial Assets/(Liabilities)</b>		<b>2 278</b>	<b>(5)</b>	<b>(24)</b>	<b>1 233</b>	<b>3 483</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**25. Financial Instruments (Continued)****(i) Carrying Amount of Each Category of Financial Asset and Financial Liability**

	Actual 2015 \$ 000	Actual 2014 \$ 000
<b>Financial Assets</b>		
Loans and receivables measured at amortised cost	1 937	1 437
<b>Financial Liabilities</b>		
Financial liabilities measured at amortised cost	310	233

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

The Audit Office does not have any financial assets in the 'available for sale' or held to maturity' category or any financial liabilities in the 'fair value through the operating statement' category.

There were no gains or losses on financial asset and liabilities.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 26. Cash Flow Reconciliation

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

	Actual 2014-15 \$ 000	Actual 2013-14 \$ 000
<b>Operating (deficit)/surplus</b>	<b>(327)</b>	<b>263</b>
Depreciation	162	97
Borrowing costs on finance leases – motor vehicle	-	2
Loss on derecognition of lease liability	23	-
Gain on de-recognition of finance lease liability	(24)	-
Impairment loss on an asset held for sale - motor vehicle	-	3
Disposal of asset	(11)	-
<b>Changes in assets and liabilities</b>		
(Increase)/decrease in receivables	(500)	49
(Increase)/decrease in other current assets	20	(10)
Increase in payables	105	145
Increase in employee benefits	55	121
<b>Net cash (outflows) / inflows from operating activities</b>	<b>(498)</b>	<b>670</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

for the Year Ended 30 June 2015

## 26. Cash Flow Reconciliation (Continued)

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

	Actual 2015 \$ 000	Actual 2014 \$ 000
Cash	1 851	2 278
Petty cash	-	1
<b>Cash in the Cash Flow Statement and Balance Sheet</b>	<b>1 851</b>	<b>2 279</b>

Totals shown above may not add due to rounding errors resulting from figures being rounded to the nearest thousand dollars.

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

	Actual 2015 \$ 000	Actual 2014 \$ 000
Acquisition of motor vehicles by means of a finance lease	-	29

## 27. Related Party Disclosures

Australian Accounting Standard AASB 124: 'Related Party Disclosures' requires financial statements of private sector entities to disclose transactions that have taken place between the key management personnel of an entity and parties that are related to these personnel.

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the entity.

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

The Audit Office's key management personnel are those on the Audit Office's Executive Committee.

## ACT AUDIT OFFICE

## Notes to and Forming Part of the Financial Statements

## for the Year Ended 30 June 2015

**27. Related Party Disclosures (Continued)**

The remuneration of the Audit Office's executive positions - Auditor-General, Director, Performance Audits and Director, Financial Audits is determined by the ACT Remuneration Tribunal and tabled in the Assembly.

The remuneration of the Office's non-executive positions - Principal, Financial Audits and Principal, Professional Services is determined under the relevant enterprise agreements.

<b>2014-15</b>		
<b>Key Management Personnel</b>	<b>Position</b>	<b>Period in Position</b>
Dr Maxine Cooper	Auditor-General	1 July 2014 to 30 June 2015
Bernie Sheville	Director, Financial Audits	1 July 2014 to 30 June 2015
Brett Stanton	Director, Performance Audits	1 July 2014 to 30 June 2015
Malcolm Prentice	Principal, Financial Audits	1 July 2014 to 30 June 2015
Ajay Sharma	Principal, Professional Services	1 July 2014 to 30 June 2015

<b>2013-14</b>		
<b>Key Management Personnel</b>	<b>Position</b>	<b>Period in Position</b>
Dr Maxine Cooper	Auditor-General	1 July 2013 to 30 June 2014
Bernie Sheville	Acting Auditor-General	1 July 2013 to 10 July 2013
	Director, Financial Audits	11 July 2013 to 30 June 2014
Dr David Hughes	Director, Performance Audits	1 July 2013 to 11 April 2014
Brett Stanton	Director, Performance Audits	2 June 2014 to 30 June 2014
Malcolm Prentice	Acting Director, Financial Audits	1 July 2013 to 10 July 2013
		7 April 2014 to 30 May 2014
	Principal, Financial Audits	11 July 2013 to 6 April 2014 31 May 2014 to 30 June 2014
Ajay Sharma	Acting Director, Performance Audits	5 May 2014 to 30 May 2014
	Principal, Professional Services	1 July 2013 to 4 May 2014
		31 May 2014 to 30 June 2014

## ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements**  
**for the Year Ended 30 June 2015**

**27. Related Party Disclosures (Continued)**

Remuneration of key management personnel is set out below:

Remuneration of Key Management Personnel	Actual 2014-15	Actual 2013-14
Below \$50 000		1
\$50 000 to \$149 999		-
\$150 000 to \$159 999		1
\$160 000 to \$169 999	1	-
\$170 000 to \$179 999		1
\$180 000 to \$189 999	1	1
\$190 000 to \$199 999		-
\$200 000 to \$209 999		-
\$210 000 to \$219 999		-
\$220 000 to \$229 999	1	-
\$230 000 to \$239 999	1	1
\$240 000 to \$379 999	1	-
\$380 000 to \$389 999		1
<b>The aggregate of the remuneration for key management personnel included above</b>	<b>\$1 160 364</b>	<b>\$1 171 267</b>

The remuneration of key management personnel was largely consistent with the previous year. The small decrease in 2014-15 reflects a lower number of acting arrangements than in 2013-14.

**ACT AUDIT OFFICE**

**Notes to and Forming Part of the Financial Statements  
for the Year Ended 30 June 2015**

**28. Events Occurring after Balance Date**

There were no events after balance date that had an impact on the financial statements for the 2014-15 reporting period or future reporting periods.

## B.3 Capital works

The Audit Office had no projects included in the Capital Works Program for 2014-15.

### Further information can be obtained from:

Mr Malcolm Prentice	Acting Director, Financial Audits and Chief Finance Officer	(02) 6207 0820	malcolm.prentice@act.gov.au
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## B.4 Asset management

### B.4.1 Assets Managed

The Office's plant and equipment assets are comprised of the office fit-out, equipment and furniture such as audio visual equipment, workstations and chairs. As at 30 June 2015, these assets valued \$53 000.

### B.4.2 Asset Maintenance and Upgrade

No major asset upgrades were undertaken during 2014-15.

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 (\$63 000).

### B.4.3 Accommodation

There was no change in office accommodation in 2014-15. At 30 June 2015, 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 2014-15 was 15 square metres per workstation. The Audit Office's workstation utilisation rate of 16.1 metres was marginally higher than the target rate.

The Audit Office employed 42 staff at 30 June 2015. As the Office only has 31 workstations, the Office employs a 'hot desking arrangement' whereby not all Office staff have a desk allocated to them. This is because many staff for most of the year work offsite at auditees' premises and it is unusual for all staff to be in the Office at the same time.

### Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## B.5 Statement of performance

### ACT AUDIT OFFICE

#### STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2015

#### STATEMENT OF RESPONSIBILITY

In my opinion, the Statement of Performance is in agreement with the Audit Office's records and fairly reflects the operational performance of the Office for the year ended 30 June 2015.

A handwritten signature in black ink, appearing to read 'M. Cooper' with a stylized flourish underneath.

Dr Maxine Cooper  
Auditor-General

21 August 2015

**ACT AUDIT OFFICE**

**STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2015**

**STATEMENT BY THE ACTING CHIEF FINANCE OFFICER**

In my opinion, the Statement of Performance is in agreement with the Audit Office's records and fairly reflects the operational performance of the Office for the year ended 30 June 2015.



Malcolm Prentice FCPA  
Acting Chief Finance Officer

21 August 2015

## Report of factual findings

**Di Bartolo Diamond & Mihailaros**  
An Australian Capital Territory Partnership



Chartered Accountants  
& Business Advisers

### REPORT OF FACTUAL FINDINGS ACT AUDIT OFFICE

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

#### Findings

Based on our procedures, no matters have come to our attention, which indicate the Statement of Performance of the ACT Audit Office for the year ended 30 June 2015 does not fairly present the performance of the Office.

#### Responsibility for the Statement of Performance

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

#### The Auditor's Responsibility

Our responsibility is to provide a report of factual findings on the performance measures included in the ACT Audit Office's Statement of Performance.

#### Scope

We have reviewed the Statement of Performance of the ACT Audit Office for the year ended 30 June 2015, in order to report on whether any matters have come to our attention that would indicate that the Statement of Performance is not fairly presented.

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

We have not expressed an opinion on the accuracy of explanations provided for variations between actual and budgeted performance due to the essential subjectivity of these explanations.

#### Independence

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

PKF Di Bartolo Diamond & Mihailaros



Ross Di Bartolo  
Partner

Dated: 21 August 2015

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GPO Box 588 | Canberra City | ACT 2601

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George Diamond B.Ec. FCA  
John Mihailaros B.Comm (Accounting). CA

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## ACT AUDIT OFFICE

### STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2015

The Audit Office provides independent reports to the Legislative Assembly and community on accountability, efficiency and effectiveness of the public sector; fosters accountability in the public administration of the Territory and promotes efficiency, effectiveness in the delivery of ACT Government services and programs.

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

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

Accountability indicators	Note No.	2014-15 Targets	2014-15 Actual results	Variance from targets
<b>Costs</b>				
Audit cost per hour excluding audit contractor costs	1	\$139	\$144	4%
<b>Quantity</b>				
Number of audit reports issued on financial statements	2	67	75	12%
Number of reports of factual findings issued on statements of performance	3	29	30	3%
Number of performance audit reports presented to the Legislative Assembly	4	7	7	0%

Targets for the above accountability indicators were obtained from the Audit Office's Projected Budget for 2014-15 provided to the Public Accounts Committee on 2 May 2014.

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

## ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE  
YEAR ENDED 30 JUNE 2015

Accountability indicators (continued)	Note No.	2014-15 Targets	2014-15 Actual results	Variance from targets
<b>Quality and effectiveness</b>				
Percentage of agencies satisfied with financial audits	5	95%	100%	5%
Percentage of agencies satisfied with performance audits	6	95%	100%	5%
Percentage of recommendations accepted in financial audits*	7	95%	71%	(25%)
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	8	80%	83%	4%
Percentage of employees that are satisfied with working for the Audit Office	9	85%	75%	(12%)
<b>Timeliness</b>				
Percentage of financial audits completed within the required timetable	10	100%	85%	(15%)
Average period of completion of performance audits	11	7 months	9 months	29%
Presentation of the summary report on financial audits to the Legislative Assembly	12	December 2014	December 2014	0%

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

Targets for the above accountability indicators were obtained from the Audit Office's Projected Budget for 2014-15 provided to the Public Accounts Committee on 2 May 2014.

## ACT AUDIT OFFICE

## Explanations Accompanying the Statement of Performance

Year Ended 30 June 2015

**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* costs per hour are calculated by dividing internal costs by the number of hours spent by the staff on audits.

The 2014-15 target of \$139 for audit cost per hour excluding audit contractor costs, is calculated as *budgeted internal costs* of \$5 790 147 (i.e. total budget expenses of \$6 635 188 less audit contractor costs of \$845 041) divided by the *estimated number of hours charged to audits* of 41 672 hours for 2014-15.

The estimated audit hours (41 672) used to calculate the 2014-15 target is calculated as the total standard hours for the budgeted number of full time equivalent staff in 2014-15 (1 918 standard hours per full time equivalent staff member multiplied by 39 full time equivalent staff) multiplied by an average of the percentage of standard hours charged to audits during the last three financial years (56 percent in 2010-11, 57 percent in 2011-12, and 54 percent in 2012-13).

Actual audit costs per hour excluding audit contractor costs of \$144 was calculated as the actual internal costs of \$5 716 333 (i.e. actual total expenses of \$7 044 530 minus audit contractor costs of \$1 328 197) divided by the *actual number of hours charged to audits* for 2014-15 of 39 829 hours.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance**

**Year Ended 30 June 2015**

**Note 1. Audit costs per hour excluding audit contractor costs (continued)**

Audit costs per hour excluding audit contractor costs of \$144 were 4 percent higher than the targeted cost of \$139. This was mainly due to actual hours charged to audits (39 829 hours) being less than estimated (41 672 hours). The lower than expected hours charged to audits mainly reflects:

- an increase in time spent by staff on:
  - leave, in particular, maternity leave and workers' compensation leave; and
  - performance management activities such as the development of performance development plans and performance appraisals.
- the actual average full time equivalent staff of 37.7 was lower than the estimated average full time equivalent staff of 39.

## ACT AUDIT OFFICE

## Explanations Accompanying the Statement of Performance (Continued)

### Year Ended 30 June 2015

#### Note 2. Number of audit reports issued on financial statements

This accountability indicator represents the number of audit reports issued on financial statements in 2014-15.

The Audit Office issued an audit report in all cases where there was a requirement to do so. The number of audit reports issued in 2014-15 (75) exceeds the 2014-15 target (67) because eight audits were not known when the 2014-15 target was prepared. An audit of the financial statements:

- of the former Commerce and Works Directorate and Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was required following changes to administrative arrangements on 6 July 2014;
- of the Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 was performed after the Corporation was dissolved;
- of ACN 071 257 504 Limited (formerly ACTTAB Limited) for the period from 1 July 2014 to 31 January 2015 was required following the sale of ACTTAB Limited on 14 October 2014;
- relating to Commonwealth funding provided and spent under the *Nation Building Program (National Land Transport) Act 2009* – National Projects for the Majura Parkway for 2011-12 and 2012-13 was required; and
- Digital Hubs Program (final acquittal) to 31 March 2015.

In addition, an audit of the Public Trustee for the ACT's compliance with the 'Public Ancillary Fund Guidelines 2011' made under the *Taxation Administration Act 1953* in relation to the Capital Region Community Foundation Gift Fund was completed.

A listing of the audit reports issued on financial statements during 2014-15 is provided later in this statement of performance.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**

**Year Ended 30 June 2015**

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

This accountability indicator represents the number of reports of factual findings issued on statements of performance during 2014-15.

The number of reports of factual findings issued in 2014-15 (30) exceeded the target (29) because a review of the statement of performance of the Exhibition Park Corporation for the period from 1 July 2014 to 31 December 2014 was completed following the dissolution of the Corporation. This review was not known when the 2014-15 target was prepared.

A listing of the reports of factual findings issued on statements of performance during 2014-15 is provided later in this statement of performance.

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

This accountability indicator represents the number of performance audit reports presented in the Legislative Assembly during 2014-15.

The targeted number of reports tabled in the Legislative Assembly was achieved with seven reports being presented to the Legislative Assembly in 2014-15. The reports are:

1. Debt Management (Report No. 1/2015);
2. The Rehabilitation of Male Detainees at the Alexander Maconochie Centre (Report No. 2/2015);
3. Restoration of the Lower Cotter Catchment (Report No. 3/2015);
4. ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015);
5. Integrity of Data in the Health Directorate (Report No. 5/2015);
6. Bulk Water Alliance (Report No. 6/2015); and
7. Sale of ACTTAB (Report No. 7/2015).

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**
**Year Ended 30 June 2015**
**Note 5. Percentage of agencies satisfied with financial audits**

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

A survey of reporting agencies is conducted to rate their satisfaction with financial audits completed during 2014-15.

This percentage is calculated as the number of reporting agencies that provide a satisfactory or better rating in relation to financial audits completed during 2014-15 divided by the number of agencies that responded to the survey.

The Audit Office received survey responses from 44 (94 percent) of the 47 reporting agencies surveyed. Three (6 percent) declined to provide a response to the survey.

Satisfaction Rating	Number of Responses	%
<b><u>Satisfied</u></b>		
Very good	13	30
Good	25	57
Satisfactory	6	13
<b>Sub-total</b>	<b>44</b>	<b>100</b>
<b><u>Not satisfied</u></b>		
Poor	0	0
Very poor	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>44</b>	<b>100</b>

Source: Agency satisfaction surveys.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**

**Year Ended 30 June 2015**

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

The percentage of reporting agencies satisfied with financial audits (100 percent) exceeded the target (95 percent) with 94 percent 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:

Over the past few years [reporting agency] and the Audit Office have worked collaboratively in addressing significant audit issues early in the year. [Reporting agency] would like to continue this approach and further improve the timeliness of the audit and related reports....

The audit team was exceptionally dedicated and worked hard to meet the tight deadlines ....

The audit process was well coordinated with good communication between the AGO and the Directorate....

Audit was very professional and staff were knowledgeable and understanding of [reporting agency's] business....

This was the first year of operation of [reporting agency] and therefore the first audit. This meant the Audit Office needed to meet with [reporting agency] and build an understanding of the operations and financial controls in place in order to properly plan the audit. This was done effectively and as a result the final audit went smoothly. At all times, communication between Audit Office and [reporting agency] was excellent.

The communications in the 2013-14 financial audit were of a high standard. Open, clear and structured meetings and processes occurred, issues were raised appropriately and in a professional manner by all parties. The knowledge of the audit team of [reporting agency] was sound and the experience in financial audits extensive.

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 5: Percentage of agencies satisfied with financial audits (continued)**

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

Ensuring comments on the financial statements are legible would be helpful...

At times complex issues were not explained as well as they might have been. While communication of issues was good, information was not always provided in a timeframe that matched the importance of the issue. Response to shell statements was not adequate.

The audit process could be further improved by ensuring that new and junior members of the audit team are adequately briefed about the organisation and prior years' audits.

There was initially some confusion around what was required, what was provided and what the Audit Office thought was outstanding. Information was provided to the field auditors and this did not seem to also get to the audit seniors/managers. This has a bearing on both parties as it has the potential to delay the work and sour the relationship.

With the change in Audit Manager, there was a change in focus from the Audit Office relating to variance explanations, which was not communicated to [reporting agency] staff during the audit planning meeting or at any time prior to the [reporting agency] providing its certified financial statements and M&A. If this change in focus was advised to the [reporting agency] earlier, the information provided would have complied with the Audit Office's increased focus on variance explanations. The [reporting agency] had a good rapport in all other dealings and communication with audit staff.

Feedback provided by 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

<b>Explanations Accompanying the Statement of Performance (Continued)</b>
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<b>Year Ended 30 June 2015</b>
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**Note 6. Percentage of agencies satisfied with performance audits**

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

A survey of all agencies subjected to a performance audit is performed to rate their satisfaction with performance audits completed during 2014-15.

This percentage is calculated as the number of agencies that provide a satisfactory or better than satisfactory rating for performance audits completed during 2014-15 divided by the number of agencies that responded to the survey.

The Audit Office received responses for 13 (76 percent) of the 17 surveys sent.

Satisfaction rating	Number of Responses	%
<b><u>Satisfied</u></b>		
Very good	4	31
Good	7	54
Satisfactory	2	15
<b>Sub-total</b>	<b>13</b>	<b>100</b>
<b><u>Not satisfied</u></b>		
Poor	0	0
Very poor	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>13</b>	<b>100</b>

Source: Agency satisfaction surveys.

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 6. Percentage of agencies satisfied with performance audits (continued)**

The percentage of agencies satisfied with performance audits (100 percent) exceeded the target (95 percent) with 92 percent of the 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:

[Reporting agency] appreciated the Audit Office's willingness to engage with business units of the Directorate to correct issues of fact. [Reporting agency] also appreciated the Audit Office's willingness to include additional information at [Reporting agency's] request to ensure a balanced view of particular issues was represented.

A pleasure to work with the audit team. Professional and approachable. Many thanks.

Communication between the Audit Office and [Reporting agency] was excellent. An open discussion on the draft report led to a good outcome for both agencies.

The frank and open engagement was welcomed. Appreciated the ability to meet with Audit Office's staff and personally discuss issues around context and process.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**

**Year Ended 30 June 2015**

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

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

The audit report provided a lot of financial data but did not draw conclusions in relation to the figures and trends. The presence of such data in the report leads a reader to draw conclusions themselves if not provided in the report, on the presumption that its inclusion in the report means the information is important. There is a risk that a reader will misinterpret the information if they do not have sufficient knowledge of the topic.

[Changes to the audit team during the audit] was an unfortunate outcome from the business unit's perspective given the considerable investment of time and effort which had to, in part, be repeated for the incoming team. Otherwise a very useful and professional relationship ensued.

It is possible that the intense debate and review conducted late in the piece could have been minimised through earlier engagement with us as issues were identified. Additionally, subject matter experts (SME) seem to be used in isolation of the auditee. Interaction between the SME and auditee experts might have helped provide your SMEs with a greater understanding of context and again have reduced issues during the reporting stage.

For similar (historical) audits in future, the audit team might benefit from specific efforts to understand the historical context or at least earlier engagement on identified issues (as mentioned above) might highlight a lack of understanding sooner.

Feedback provided by 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 (Continued)****Year Ended 30 June 2015****Note 7. 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 agencies in audit management reports issued during 2014-15, divided by the number of recommendations made in these reports.

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

Agencies accepted 144 (71 percent) of the 202 recommendations made in 2014-15. This is lower than the target acceptance rate of 95 percent.

The target acceptance rate was not achieved due to 7 (3 percent) recommendations being 'agreed-in-principle', 24 (12 percent) being partially agreed and 9 (4 percent) 'noted', 18 recommendations (9 percent) were 'not agreed'.

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 8. Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity**

This accountability indicator provides information on audited agencies' response with respect to the whether the performance audit would help improve administration of the audited activity.

A survey of all agencies subjected to a performance audit was performed to rate their satisfaction with performance audits completed during 2014-15. Audited agencies were asked to provide a response to this question.

The percentage is calculated as the number of agencies that provide an 'agree' or better rating on whether the performance audit will help their organisation improve administration of the audited activity divided by the number of agencies that responded to the survey.

The Audit Office received responses for 13 (76 percent) of the 17 surveys sent. One agency stated that the question was 'not applicable.'

Agency response	Number of Responses	%
<b>Ratings</b>		
Strongly Agree	4	33
Agree	6	50
<b>Sub-Total</b>	<b>10</b>	<b>83</b>
Strongly Disagree	0	0
Disagree	0	0
<b>Sub-Total</b>	<b>0</b>	<b>0</b>
Neither Agree nor Disagree	2	17
Unsure	0	0
<b>Sub- Total</b>	<b>2</b>	<b>17</b>
<b>Total</b>	<b>12</b>	<b>100</b>

Source: Agency satisfaction surveys.

## ACT AUDIT OFFICE

## Explanations Accompanying the Statement of Performance (Continued)

### Year Ended 30 June 2015

#### Note 9. Percentage of employees that are satisfied with working for the Audit Office

This accountability indicator provides information on the level of satisfaction with staff working in the Audit Office.

A staff survey is conducted annually to measure staff satisfaction with working for the Audit Office. Survey questions cover aspects of the Office, including its leadership, management, working conditions, learning and development, teamwork and communication.

This percentage is calculated as the number of employees who provide an 'agree' or 'strongly agree' rating to the survey question '**overall, I am satisfied with my job**' divided by the number of staff responses to the survey.

The results of the 2015 survey are shown below.

Rating	No. of Responses	%
<b><u>Satisfied</u></b>		
Strongly agree	7	25
Agree	14	50
<b>Sub-total</b>	<b>21</b>	<b>75</b>
<b><u>Not satisfied</u></b>		
Neither agree or disagree	2	7
Disagree	4	14
Strongly disagree	1	4
<b>Sub-total</b>	<b>7</b>	<b>25</b>
<b>Total</b>	<b>28</b>	<b>100</b>

Source: 'Report on the ACT Audit Office – 2015 Staff Survey' dated 8 April 2015 prepared by ReillyAssociates.

The annual staff survey is conducted anonymously. Twenty-nine (76 percent) out of 38 staff submitted a response to the survey.

Twenty eight of the 29 respondents responded to the question '**overall, I am satisfied with my job**'.

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)**

**Year Ended 30 June 2015**

**Note 9. Percentage of employees that are satisfied with working for the Audit Office (continued)**

Twenty-one out of the 28 staff (75 percent) who responded to the survey question 'overall I am satisfied with my job' indicated that they were satisfied with working for the Audit Office compared to the target rate of 85 percent. Two staff (7 percent) neither agreed nor disagreed that they were satisfied with their job, and five (18 percent) disagreed or strongly disagreed they were satisfied with their job.

While the result (75 percent) was below the target rate (85 percent), the survey indicates that a high proportion of staff are satisfied with their job. The result is close to the satisfaction rate reported in 2013-14 (74 percent) and is an improvement on the satisfaction rate reported in 2012-13 (69 percent).

This indicator alone does not capture other important elements of staff feedback. Survey responses indicate that most staff felt that their work was important to the success of the Audit Office (86 percent and up from 81 percent in 2013-14), were motivated to do the best possible work (89 percent and up from 74 percent in 2013-14), and could approach their supervisor about a problem (90 percent and up from 70 percent in 2013-14). Staff also commented favourably on the training and development with most agreeing that training and development met their job needs (82 percent and up from 70 percent).

The staff survey indicates that most staff would recommend the Audit Office as a place to work (68 percent). However, successful retention and replacement of staff are likely to be increasing challenges for the Audit Office as only 44 percent of staff could foresee themselves working at the Audit Office in two years' time compared to 70 percent in 2013-14. Staff indicated a lack of opportunity for career progression and higher salaries as main reasons they would leave the Audit Office.

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 10. Percentage of financial audits completed within the required timetable**

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

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

The Audit Office attempts to complete all financial audits within the 'required timetable'.

Achievement of this timetable is dependent on many factors that are outside the control of the Audit Office. For example, reporting agencies need to provide satisfactory financial statements and supporting workpapers to the Office by the planned date to allow sufficient time for the audit to be completed. Reporting agencies also need to respond in a timely manner to requests from the audit team for information. In this context, the Office's target of completing all financial audits within the 'required timetable' is challenging.

In 2014-15, the Audit Office completed 64 (85 percent) of the 75 financial audits within the 'required timetable'. This result is below the target of 100 percent. This was mainly due to delays experienced in the receipt of certified financial statements from reporting agencies.

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 11. 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 Legislative Assembly for tabling.

It 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
Debt Management (Report No. 1/2015)	9
The Rehabilitation of Male Detainees at the Alexander Maconochie Centre (Report No. 2/2015)	11
Restoration of the Lower Cotter Catchment (Report No. 3/2015)	9
ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015)	10
Integrity of Data in the Health Directorate (Report No. 5/2015)	4
Bulk Water Alliance (Report No. 6/2015)	11
Sale of ACTTAB (Report No. 7/2015)	9
Average period of completion of performance audits	9

## ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance (Continued)****Year Ended 30 June 2015****Note 11. Average period of completion of performance audits (continued)**

The average period of completion of performance audits during 2014-15 was 9 months compared to the target of 7 months.

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.

Some of the audits in 2014-15 have taken a comparatively longer time to complete due to the complexity of the subject matter, most notably the Bulk Water Alliance (Report No. 6/2015) and The Rehabilitation of Male Detainees at the Alexander Maconochie Centre (Report No. 2/2015).

Other audits in 2014-15 have taken a comparatively longer time to complete due to complexities in the reporting process, including the need to consult extensively in relation to the potential findings and conclusions for inclusion in the report, most notably for ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015), Sale of ACTTAB (Report No. 7/2015) and Debt Management (Report No. 1/2015). An additional complexity for the ACT Government Support to the University of Canberra for Affordable Student Accommodation (Report No. 4/2015) was the need to consult with respect to the use of, and reference to, Cabinet material.

The timeliness of the delivery of other audits has also been delayed by the departure of senior staff. Such delays highlight the challenge of completing audits with a comparatively small performance audit team.

**Note 12. Presentation of the summary report of financial audits to the Legislative Assembly**

One report summarising the results of the financial audit program is scheduled to be tabled in the Legislative Assembly in December of each year.

The summary report on financial audits to the Legislative Assembly was tabled on 19 December 2014.

## ACT AUDIT OFFICE

### Explanations Accompanying the Statement of Performance (Continued)

**Year Ended 30 June 2015**

#### Audits reports and reports of factual findings issued in 2014-15

This table represents the audit reports and reports of factual findings that were issued during the period from 1 July 2014 to 30 June 2015.

No.		Audit reports	No.	Reports of factual findings
	<b>Territory financial statements</b>			
1	Territory's annual financial statements	Unqualified	-	Not applicable
	<b>Directorates</b>			
2	ACT Executive	Unqualified	-	Not applicable
3	ACTION	Unqualified	1	Unqualified
4	ACT Local Hospital Network Directorate	Unqualified	2	Unqualified
5	Capital Metro Agency	Unqualified	3	Unqualified
6	Chief Minister and Treasury Directorate	Unqualified	4	Unqualified
7	Commerce and Works Directorate	Unqualified	5	Unqualified
8	Commerce and Works Directorate (1 July 2014 to 6 July 2014)	Unqualified	-	In progress at 30 June 2015
9	Community Services Directorate	Unqualified	6	Unqualified
10	Economic Development Directorate	Unqualified	7	Unqualified
11	Economic Development Directorate (1 July 2014 to 6 July 2014)	Unqualified		In progress at 30 June 2015
12	Education and Training Directorate	Unqualified	8	Unqualified
13	Environment and Sustainable Development Directorate	Unqualified	9	Unqualified
14	Health Directorate	Unqualified	10	Unqualified
15	Home Loan Portfolio	Unqualified	11	Unqualified
16	Housing ACT	Unqualified	12	Unqualified
17	Justice and Community Safety Directorate	Unqualified	13	Unqualified
18	Office of the Legislative Assembly	Unqualified	-	Not applicable
19	Superannuation Provision Account	Unqualified	14	Unqualified
20	Territory and Municipal Services Directorate	Unqualified	15	Unqualified
21	Territory Banking Account	Unqualified	16	Unqualified

## ACT AUDIT OFFICE

### Explanations Accompanying the Statement of Performance (Continued)

**Year Ended 30 June 2015**

#### Audits reports and reports of factual findings issued in 2014-15 (continued)

No.	Audit reports	No.	Reports of factual findings	
<b>Authorities</b>				
22	ACT Building and Construction Industry Training Fund Authority	Unqualified	17	Unqualified
23	ACT Compulsory Third-Party Insurance Regulator	Unqualified	18	Qualified
24	ACT Gambling and Racing Commission	Unqualified	19	Unqualified
25	ACT Insurance Authority	Unqualified	20	Unqualified
26	ACT Long Service Leave Authority	Unqualified	21	Unqualified
27	ACT Public Cemeteries Authority	Qualified	22	Qualified
28	Canberra Institute of Technology	Unqualified	23	Unqualified
29	Cultural Facilities Corporation	Unqualified	24	Unqualified
30	Exhibition Park Corporation	Unqualified	25	Unqualified
31	Exhibition Park Corporation (1 July 2014 to 31 December 2014)	Unqualified	26	Unqualified
32	Independent Competition and Regulatory Commission	Unqualified	27	Unqualified
33	Land Development Agency	Unqualified	28	Unqualified
34	Legal Aid Commission	Unqualified	29	Unqualified
35	Public Trustee for the ACT (Office Account)	Unqualified	30	Unqualified
36	University of Canberra	Unqualified	-	Not applicable
<b>Territory-owned corporations and other companies</b>				
37	ACTEW Corporation Limited	Unqualified	-	Not applicable
38	ACTEW Distribution Limited	Unqualified	-	Not applicable
39	ACTEW Retail Limited	Unqualified	-	Not applicable
40	ACTTAB Limited	Unqualified	-	Not applicable
41	ACN 071 257 504 Limited (formerly ACTTAB Limited)	Unqualified	-	Not applicable
42	CIT Solutions Pty Limited	Unqualified	-	Not applicable
43	Community Housing Canberra Limited	Unqualified	-	Not applicable
44	UCU Ltd	Unqualified	-	Not applicable
45	University of Canberra College Pty Limited	Unqualified	-	Not applicable

## ACT AUDIT OFFICE

<b>Explanations Accompanying the Statement of Performance (Continued)</b>
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<b>Year Ended 30 June 2015</b>
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## Audits reports and reports of factual findings issued in 2014-15 (continued)

No.	Audit reports	No.	Reports of factual findings
	<b>Joint ventures and partnerships</b>		
46	ActewAGL Distribution Partnership	-	Not applicable
47	ActewAGL Joint Venture Special Purpose Financial Report	-	Not applicable
48	ActewAGL Retail Partnership	-	Not applicable
49	ActewAGL Summary Financial Report	-	Not applicable
50	Crace Joint Venture	-	Not applicable
51	Forde Joint Venture	-	Not applicable
52	Lyons Estate Redevelopment Joint Venture	-	Not applicable
53	Nicholls Primary School Joint Facilities	-	Not applicable
	<b>Other audits</b>		
54	Canberra Business Development Fund	-	Not applicable
55	Capital Region Community Foundation Gift Fund	-	Not applicable
56	Capital Region Community Foundation Open Fund	-	Not applicable
57	Audit of compliance by the Public Trustee with <i>Public Ancillary Funds Guidelines 2011</i> in relation to the Capital Region Community Foundation Gift Fund	-	Not applicable
58	Commonwealth funding under the Digital Hubs Program	-	Not applicable
59	Digital Hubs Program (Final Acquittal) to 31 March 2015	-	Not applicable
60	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2009</i> – Black Spot Projects	-	Not applicable
61	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2009</i> – National Projects 30 June 2014	-	Not applicable
62	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2009</i> – National Projects – Majura Parkway 30 June 2012	-	Not applicable

## ACT AUDIT OFFICE

## Explanations Accompanying the Statement of Performance (Continued)

### Year Ended 30 June 2015

#### Audits reports and reports of factual findings issued in 2014-15 (continued)

No.		Audit reports	No.	Reports of factual findings
63	Commonwealth Funding under the Nation Building Program (National Land Transport) Act 2009 – National Projects – Majura Parkway 30 June 2013	Unqualified	-	Not applicable
	<b>Other audits (continued)</b>			
64	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2009 – Roads to Recovery</i> 30 June 2014	Unqualified	-	Not applicable
65	Commonwealth funding under the <i>Interstate Road Transport Act 1985 – expenditure statement</i>	Unqualified	-	Not applicable
66	Commonwealth funding under the <i>Interstate Road Transport Act 1985 – revenue statement</i>	Unqualified	-	Not applicable
67	Default Insurance Fund	Unqualified	-	Not applicable
68	Gungahlin Cemetery Perpetual Care Trust	Qualified	-	Not applicable
69	Hall Cemetery Perpetual Care Trust	Qualified	-	Not applicable
70	National Health Funding Pool Account for the ACT	Unqualified	-	Not applicable
71	Nominal Defendant	Unqualified	-	Not applicable
72	Public Trustee for the ACT – Trust Account	Unqualified	-	Not applicable
73	University of Canberra Research Income Return	Unqualified	-	Not applicable
74	Woden Cemetery Perpetual Care Trust	Qualified	-	Not applicable
75	Woden Mausoleum Perpetual Care Trust	Qualified	-	Not applicable



## C NOTICES OF NON COMPLIANCE

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### C.1 Notices of non compliance

The Audit Office did not commit any offences against the *Dangerous Substances Act 2004* or the *Medicines, Poisons and Therapeutic Goods Act 2008* in 2014-15.

**Further information can be obtained from:**

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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## APPENDIX A: FINANCIAL AUDIT FEES

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Subsection 11A(5) of the A-G Act requires the Audit Office to include details of the basis on which the Auditor-General decided fees charged to agencies for financial 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 the relevant agency during the planning of the audit.

Audit fee estimates are prepared using information on time taken to complete the audit in recent years. These estimates also take into account known factors that would cause major changes to the cost of audits. Examples of these factors include changes to:

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

Fees for an audit undertaken primarily by contractors are based on the expected cost of the contractors plus an estimate of the time and related cost of work of staff from the Audit Office.

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

- will, in nearly all cases, charge agencies previously advised estimated audit fees regardless of actual costs that are incurred to complete the audit. This practice means that surpluses will be generated or deficits incurred on each audit; and
- may amend fees on the basis of the time and costs incurred over a number of years particularly where large surpluses or deficits are generated rather than amending fees as soon as a surplus or deficit is recorded.

In estimating fees for audits, the Audit Office seeks to recover the costs of completing the annual program of financial audits. Small surpluses or deficits are estimated when setting fees for the annual program.

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

Audit fees are estimated to increase by \$112 963 (3.0 percent) from \$3 743 666 in 2013-14 to \$3 856 629 in 2014-15. Explanations for variations on individual audits are provided after Table 6 in this Appendix.

This overall increase in audit fees mainly reflects:

- indexation (2.5 percent) applied to many audit fees;
- an increase in audit fees for selected audits where deficits have been incurred in recent years; and
- audits that will be performed for the first time in 2014-15 (Electoral Commissioner and Lifetime Care and Support Fund).

These increases are expected to be mostly offset by decreases in audit fees:

- resulting from transfer of functions of the former Commerce and Works Directorate and Economic Development Directorate into the Chief Minister, Treasury and Economic Development Directorate; and
- decreases in audit fees for several audits following an assessment of the cost of the audit and surpluses generated on these audits in recent years.

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.

Estimated financial audit fees (excluding GST) shown for 2014-15 are for audits with reporting periods ending 31 December 2014 and 30 June 2015.

**Table 1: Summary of financial audit fees**

	<b>2013-14 Actual Audit Fees \$</b>	<b>2014-15 Estimated Audit Fees \$</b>
Territory (refer Table 2)	139 317	139 317
Directorates (refer Table 2)	1 809 115	1 830 199
Statutory authorities (refer Table 3)	994 336	1 061 189
Territory-owned corporations and other companies (refer Table 4)	378 430	387 187
Joint ventures and partnerships (refer Table 5)	320 831	329 856
Other audits (refer Table 6)	101 637	108 881
<b>Total financial audit fees</b>	<b>3 743 666</b>	<b>3 856 629</b>

Source: Audit Office records

**Table 2: Financial audit fees – Territory and directorates**

	<b>Note No.</b>	<b>2013-14 Actual Audit Fees \$</b>	<b>2014-15 Estimated Audit Fees \$</b>
<b>Territory's financial statements</b>			
Territory's consolidated annual financial statements	1	139 317	139 317
<b>Total financial audit fees – Territory</b>		<b>139 317</b>	<b>139 317</b>
<b>Directorates</b>			
Capital Metro Agency	2	25 000	45 000
Chief Minister, Treasury and Economic Development Directorate (formerly the Chief Minister and Treasury Directorate)	3	125 000	290 000
Community Services Directorate	4	108 153	108 153
Commerce and Works Directorate	5	180 000	30 000
Economic Development Directorate	6	120 000	30 000
Education and Training Directorate	7	119 425	131 636
Electoral Commission	8	-	35 000
Environment and Planning Directorate (formerly Environment and Sustainable Development Directorate)	9	132 500	130 475
Executive		19 311	19 794
Health Directorate	10	189 147	203 101
Home Loan Portfolio		19 285	19 767

**Table 2: Financial audit fees – Territory and directorates (continued)**

	Note No.	2013-14 Actual Audit Fees \$	2014-15 Estimated Audit Fees \$
Housing ACT	11	97 282	106 507
Justice and Community Safety Directorate	12	255 587	231 062
Local Hospital Network Directorate		40 000	41 000
Lifetime Care and Support Fund	13	-	41 000
Office of the Legislative Assembly		37 910	38 858
Superannuation Provision Account	14	46 422	49 613
Territory Banking Account		36 595	37 510
Territory and Municipal Services Directorate	15	257 498	241 723
<b>Total</b>		<b>1 809 115</b>	<b>1 830 199</b>

Explanatory notes are provided after Table 6 in this Appendix

**Table 3: Financial audit fees – statutory authorities**

	Note No.	2013-14 Actual Audit Fees \$	2014-15 Estimated Audit Fees \$
<b>Statutory authorities</b>			
ACTION	16	109 732	121 700
Building and Construction Industry Training Fund Authority		18 648	19 114
Canberra Institute of Technology		117 990	121 530
Compulsory Third Party Insurance Regulator		16 000	16 400
Cultural Facilities Corporation		45 510	46 648
Default Insurance Fund		26 140	26 794
Exhibition Park Corporation	17	35 295	35 295
Gambling and Racing Commission		39 866	40 863
Independent Competition and Regulatory Commission		23 797	24 392
Insurance Authority		56 988	58 413
Land Development Agency	18	97 044	108 895
Legal Aid Commission		43 574	44 664
Long Service Leave Authority	19	48 682	51 327
Nominal Defendant		25 988	26 638
Public Cemeteries Authority and Related Perpetual Care Trusts	20	46 602	71 602

**Table 3: Financial audit fees – statutory authorities (continued)**

	<b>Note No.</b>	<b>2013-14 Actual Audit Fees \$</b>	<b>2014-15 Estimated Audit Fees \$</b>
Public Trustee for the ACT - Office Account	21	30 355	40 355
University of Canberra	22	212 125	206 559
<b>Total</b>		<b>994 336</b>	<b>1 061 189</b>

Explanatory notes are provided after Table 6 in this Appendix

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

	<b>Note No.</b>	<b>2013-14 Actual Audit Fees \$</b>	<b>2014-15 Estimated Audit Fees \$</b>
<b>Territory-owned corporations and other companies</b>			
ACTTAB Limited	23	54 544	51 000
CIT Solutions Pty Limited		29 326	30 206
Community Housing Canberra Limited		43 377	44 462
Icon Water Limited (formerly ACTEW Corporation Limited)	24	164 212	172 116
Icon Water Distribution Investments Limited (formerly ACTEW Distribution Limited)		12 280	12 562
Icon Water Retail Investments Limited (formerly ACTEW Retail Limited)		12 280	12 562
University of Canberra College Pty Limited		26 186	26 967
UCU Ltd		36 225	37 312
<b>Total</b>		<b>378 430</b>	<b>387 187</b>

Explanatory notes are provided after Table 6 in this Appendix

**Table 5: Financial audit fees – joint ventures and partnerships**

	Note No.	2013-14 Actual Audit Fees \$	2014-15 Estimated Audit Fees \$
<b>Joint ventures and partnerships</b>			
ActewAGL Joint Venture	25	281 739	289 786
Crace Joint Venture		13 573	13 913
Forde Joint Venture		10 483	10 745
Lyons Estate Redevelopment Joint Venture		15 036	15 412
<b>Total</b>		<b>320 831</b>	<b>329 856</b>

Explanatory notes are provided after Table 6 in this Appendix

**Table 6: Financial audit fees – other audits**

	Note No.	2013-14 Actual Audit Fees \$	2014-15 Estimated Audit Fees \$
<b>Other audits</b>			
ACT State Pool Account		21 000	21 525
Canberra Business Development Fund	26	12 711	12 711
Capital Region Foundation Gift Fund		2 883	2 955
Capital Region Foundation Open Fund		2 883	2 955
Commonwealth Funding for Roads Program (several small grant acquittal audits)		14 070	14 422
Digital Hubs Program		3 399	3 484
Nicholls Primary School Joint Facilities		3 276	3 358
Public Trustee for the ACT - compliance by the Public Trustee for the ACT with the <i>Public Ancillary Fund Guidelines 2011</i>	27	-	5 000
Public Trustee for the ACT - Trust Account		37 391	38 326
University of Canberra Research Income Return		4 024	4 145
<b>Total</b>		<b>101 637</b>	<b>108 881</b>

Explanatory notes are provided below.

**Explanatory notes**

- Note 1: The fee for the audit of the Territory's consolidated annual financial statements was not changed because the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 2: The audit fee for the Capital Metro Agency was increased as the size and complexity of the audit is expected to increase significantly in 2014-15. The fee increase is to recover the higher estimated cost of the audit.
- Note 3: The audit fee was increased because the functions of the former Commerce and Works Directorate, Economic Development Directorate and Exhibition Park Corporation were transferred to the Chief Minister, Treasury and Economic Development Directorate (formerly the Chief Minister and Treasury Directorate) under changes to administrative arrangements.
- Note 4: The audit fee for the Community Services Directorate includes a share of estimated cost of using information technology specialists to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle). The audit fee was not increased despite these higher information technology costs as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 5: A final audit of the former Commerce and Works Directorate for the period from 1 July 2014 to 6 July 2014 was completed in 2014-15. The lower audit fee reflects the shorter period covered by the financial statements. As previously disclosed in Note 3, the functions of the former Commerce and Works Directorate were transferred to the Chief Minister, Treasury and Economic Development Directorate under changes to administrative arrangements.
- Note 6: A final audit of the former Economic Development Directorate for the period from 1 July 2014 to 6 July 2014 was completed in 2014-15. The lower audit fee reflects the shorter period covered by the financial statements. As previously disclosed in Note 3, the functions of the former Economic Development Directorate were transferred to the Chief Minister, Treasury and Economic Development Directorate under changes to administrative arrangements.
- Note 7: The audit fee for the Education and Training Directorate was increased largely to recover a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 8: The audit of the Electoral Commission was required for the first time in 2014-15. This fee is assessed to recover the estimated cost of the audit.
- Note 9: The audit fee for the Environment and Planning Directorate (formerly the Environment and Sustainable Development Directorate) was reduced slightly due to an estimated decrease in the cost of using information technology experts. The 2013-14 audit fee included a review of a revenue system (Cashlink). The 2014-15 audit fee includes a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 10: The audit fee for the Health Directorate was increased largely to recover a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 11: The audit fee for Housing ACT was increased to recover a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 12: The audit fee for the Justice and Community Safety Directorate was reduced due to an estimated reduction in the cost of using information technology experts. The 2013-14 audit fee included a review of revenue systems (Cashlink and rego.act). The 2014-15 audit fee includes a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 13: The audit of the Lifetime Care and Support Fund was required for the first time in 2014-15. This fee is assessed to recover the estimated cost of the audit.
- Note 14: The audit fee for the Superannuation Provision Account was increased to recover the higher costs of using an actuary to examine the triennial review of the estimated superannuation liability.
- Note 15: The decrease in the audit fee is due to a reduction in the estimated cost of using information technology specialists on the audit. The 2013-14 audit fee included the cost of reviewing controls in ACTION's ticketing system (MyWay). The 2014-15 audit fee includes a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle).
- Note 16: The audit fee for ACTION was increased mainly to recover a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle) and a small increase in the costs of using a tax expert to review tax calculations and related disclosures.
- Note 17: The fee for the final audit of the former Exhibition Park Corporation for period from 1 July 2014 to 31 December 2014 was not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit. As previously disclosed in Note 3, the functions of Exhibition Park Corporation were transferred to the Chief Minister, Treasury and Economic Development Directorate.
- Note 18: The audit fee for the Land Development Agency was increased largely to recover a share of the estimated cost of using information technology experts to review controls over the information technology environment implemented by Shared Services and accounting system (Oracle) and a small increase in the costs of using a tax expert to review tax calculations and related disclosures.

- Note 19: The audit fee for the Long Service Leave Authority was increased to recover the higher costs of using an actuary to examine the triennial review of the estimated long service leave liability and indexed to recover the higher cost of performing the audit.
- Note 20: The audit fee for the Public Cemeteries Authority and Related Perpetual Care Trusts was increased to reduce large deficits incurred on these audits in recent years.
- Note 21: The audit fee for the Public Trustee for the ACT - Office Account was increased to reduce deficits incurred on this audit in recent years.
- Note 22: The decrease in the audit fee for the University of Canberra was mainly due to the lower cost of using accounting experts to review accounting treatments in the preparation of the financial statements.
- Note 23: The audit fee for final audit of ACTTAB for period from 1 June 2014 to 31 January 2015 reflects the lower costs charged by the audit contractor.
- Note 24: The increase in the audit fee for Icon Water Limited (formerly ACTEW Corporation Limited) was to recover costs charged by the audit contractor on the audit. In 2013-14, audit fees included the costs of reviewing new systems and the accounting treatment for the ActewAGL Joint Venture under new requirements of Australian Accounting Standard AASB 11: 'Joint Arrangements'. In 2014-15, audit fees included the cost of reviewing the valuation of Icon Water Limited's investment in the ActewAGL Distribution Partnership following the regulatory pricing determination and assessing the impact of the regulatory pricing determination on the valuation of property, plant and equipment in the Partnership.
- Note 25: The fee for the audit of the financial statements of the ActewAGL was increased to recover higher costs charged by the audit contractor in 2014-15.
- Note 26: The fee for the audit of the Canberra Business Development Fund was not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 27: The audit of compliance by the Public Trustee for the ACT with the *Public Ancillary Fund Guidelines 2011* was performed for the first time in 2013-14. The audit fees for this audit were covered by the fees charged to Public Trustee for the ACT – Trust Account. The 2014-15 audit fee reflects the estimated cost of the audit to be charged to the Public Trustee for the ACT for the audit of compliance by the Public Trustee for the ACT with the *Public Ancillary Fund Guidelines 2011*.

## APPENDIX B: COMPLIANCE INDEX FOR THE 2014-15 REPORT

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Source: Audit Office records

Note 1: The Audit Office did not undertake capital works in 2014-15.

Note 2: The Audit Office did not publish specific strategic indicators. However, its strategic direction was taken into account in determining the performance indicators included in the Statement of Performance.

Note 3: There were no instances of non-compliance with laws and regulations by the Audit Office.



## APPENDIX C: AUDIT OFFICE REPORTS

Audit reports published in recent years are listed below.

<b>Reports Published in 2014-15</b>	
Report No. 7 / 2015	Sale of ACTTAB
Report No. 6 / 2015	Bulk Water Alliance
Report No. 5 / 2015	Integrity of Data in the Health Directorate
Report No. 4 / 2015	ACT Government Support to the University of Canberra for Affordable Student Accommodation
Report No. 3 / 2015	Restoration of the Lower Cotter Catchment
Report No. 2 / 2015	The Rehabilitation of Male Detainees at the Alexander Maconochie Centre
Report No. 1 / 2015	Debt Management
Report No. 7 / 2014	2013-14 Financial Audits
Report No. 6 / 2014	ACT Audit Office Annual Report 2013-14
<b>Reports Published in 2013-14</b>	
Report No. 5 / 2014	Capital Works Reporting
Report No. 4 / 2014	Gastroenterology & Hepatology Unit, Canberra Hospital
Report No. 3 / 2014	Single Dwelling Development Assessments
Report No. 2 / 2014	The Water and Sewerage Pricing Process
Report No. 1 / 2014	Speed Cameras in the ACT
Report No. 8 / 2013	Management of Funding for Community Services
Report No. 7 / 2013	2012-13 Financial Audits
Report No. 6 / 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 5 / 2013	Bushfire Preparedness
<b>Reports Published in 2012-13</b>	
Report No. 4 / 2013	National Partnership Agreement on Homelessness
Report No. 3 / 2013	ACT Government Parking Operations
Report No. 2 / 2013	Executive Remuneration Disclosed in ACTEW Corporation Limited's (ACTEW) 2010-11 Financial Statements and Annual Report 2011
Report No. 1 / 2013	Care and Protection System
Report No. 10 / 2012	2011-12 Financial Audits
Report No. 9 / 2012	Grants of Legal Assistance
Report No. 8 / 2012	Australian Capital Territory Public Service Recruitment Practices
Report No. 7 / 2012	ACT Auditor-General's Annual Report 2011-12
Report No. 6 / 2012	Emergency Department Performance Information

Details of reports published prior to 2012-13 can be obtained from the ACT Audit Office or the ACT Audit Office's homepage: <http://www.audit.act.gov.au>.

## AVAILABILITY OF REPORTS

Copies of reports issued by the ACT Audit Office are available from:

ACT Audit Office  
Level 4, 11 Moore Street  
Canberra City ACT 2601

or

PO Box 275  
CIVIC SQUARE ACT 2608

Phone (02) 6207 0833 / Fax (02) 6207 0826

Copies of reports are also available from the  
ACT Audit Office Homepage: [www.audit.act.gov.au](http://www.audit.act.gov.au)