

**2024 Strategic Review of the
ACT Auditor-General**

**Mike Blake
8 April 2024**

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Speaker Legislative Assembly of the ACT
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Dear Speaker,

Strategic Review of the ACT Auditor-General 2024

I have pleasure in attaching my Report following my strategic review of the ACT Auditor-General for presentation to the Legislative Assembly, pursuant to section 29(3) of the *Auditor-General Act 1996* (the Audit Act).

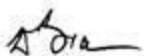
My strategic review was undertaken in accordance with the Terms of Reference (TOR) as determined by the Standing Committee on Public Accounts in December 2023 and the relevant provisions of the Audit Act. The term 'strategic review' is not captured by auditing standards. However, in completing my review, I have had regard to ASAE 3500 *Performance Engagements* along with matters in the TOR not captured by auditing standards.

Having completed my performance audit, based on the criteria outlined in the TOR, it is my conclusion that the community and Assembly has reasonable assurance that the activities performed by the ACT Audit Office and the Auditor-General are effective and efficient and the Auditor-General is suitably accountable for the actions of himself and his Office. Having so concluded, my strategic review contains 4 recommendations and 7 consider points.

On 3 April 2024, in accordance with Section 28(2) of the Audit Act, I provided the Auditor-General with a copy of my proposed report and the opportunity for him to provide me with written comments about the proposed report. On 8 April 2024 the Auditor-General responded as follows:

I note the report includes my Office's responses to the recommendations and consider points made in the report and I have no further comments to add. I thank you for your time and diligence in preparing this report.

Yours sincerely,



Mike Blake AM
8 April 2024
Copied to David Skinner at David.skinner@parliament.act.gov.au

Contents

Summary	4
Recommendations and consider points	7
Chapter 1 Background.....	11
Chapter 2 Review of the Auditor-General's functions.....	12
Chapter 3 Performance audit of the Auditor-General	18
Chapter 4 Other matters	25
Appendix A Terms of reference.....	31
Appendix B Summary of financial results	34

Summary

Introduction

This summary repeats the conclusions drawn at the end of each chapter in this report and, immediately below, I provide an overall conclusion.

Recommendations and matters for consideration are outlined in the chapter following this summary.

Overall conclusion

Having completed my performance audit, based on the criteria outlined in the Terms of Reference (TOR), it is my conclusion that:

1. the community and Assembly has reasonable assurance that the activities performed by the ACT Audit Office and the Auditor-General are effective and efficient and the Auditor-General is suitably accountable for the actions of his Office; and
2. the legislative mandate is adequate to strengthen and safeguard the independence of the ACT Auditor-General.

Having so concluded, I note that my report contains 4 recommendations and 7 points for the Auditor-General to consider.

Conclusions in Chapter 2, Review of the Auditor-General's functions

My work completed in Chapter 2 leads me to the overall conclusion that:

- present arrangements allow the Auditor-General (A-G) to fulfil the functions accorded that Office in the Audit Act, including those set out in section 10(1);
- the Audit Act makes appropriate provision to support the work of the A-G; and
- the functions of the A-G, as set out in section 10 of the Audit Act are fit for purpose and reflect best practice.

When reviewing the A-G's performance audit program and discussing this with key stakeholders, I concurred with the view that recently some performance audits have involved significant and complex projects at times involving more than one agency. I supported a suggestion that the A-G may wish to consider including in this program some shorter, targeted projects.

Two other matters arose from discussions with stakeholders which led to the proposal that:

- while recognising the suitability of current arrangements under section 21 of the Audit Act, whereby Ministers must respond within four months as outlined in that section, the A-G explore with the Public Accounts Committee how the issue of directions

under section 35 might be refined to facilitate, without compromising the A-G's relationship with the Assembly, the ability of Directors-General to brief respective Ministers on the findings and conclusions in performance audit reports immediately prior to a report being tabled in the Assembly; and

- the A-G continue his current practice of ensuring that conclusions drawn in performance or other audit reports do not question the merits of government policy.

Conclusions in Chapter 3, Performance audit of the Auditor-General

The TOR required me to consider 13 factors in conducting a performance audit of the Auditor-General and of his Office. Performance audits conducted under ASAE 3500 *Performance Engagements* require me to conclude as follows, bearing in mind paragraphs 43 and 49 of ASAE 3500 which read:

43. The assurance report shall be in writing and shall contain a clear expression of the assurance practitioner's reasonable assurance conclusion about the activity's performance against the objectives communicated and/or agreed in the terms of the performance engagement. (Ref: Para A49)

49. If during the course of the performance engagement the assurance practitioner identifies any material variations in the activity's performance, the assurance practitioner shall report those variations to the responsible party(ies) on a timely basis in order to allow the responsible party sufficient time to investigate and respond to the identified variations.¹

Having completed my performance audit, based on the criteria outlined in the TOR, it is my conclusion that:

1. the community and Assembly has reasonable assurance that the activities performed by the ACT Audit Office and the Auditor-General are effective and efficient and the Auditor-General is suitably accountable for the actions of his Office; and
2. the legislative mandate is adequate to strengthen and safeguard the independence of the ACT Auditor-General.

Conclusions in Chapter 4, Other matters

The Office took appropriate action in response to recommendations made by the Strategic Reviewer in 2020. However, the recommendation that required consideration by the Public Accounts Committee, while dealt with by it, remains outstanding, resulting in a revised recommendation 3.

Bearing in mind the smaller size of the Office compared with its peers, the Office

¹ chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.augasb.gov.au/admin/file/content102/c3/ASAE-3500_10-17.pdf

benchmarks reasonably well on a range of efficiency metrics and, following completion of an independent consulting exercise in 2021 reviewing the Office's Cost Allocation and Recovery Policy, which is also used to determine the financial audit fees, appropriate steps were taken to address deficits being incurred resulting in return to surpluses in 2022.

Without exception, the 20 stakeholders with whom I engaged supported the work of the Office and how it goes about doing its work. This included the Integrity Commissioner with whom a sound relationship exists.

Without providing detail in the conclusion, this chapter includes a range of better practices adopted by the Office, one of which is the six-monthly reports to the Speaker which I endorse.

There is a need for the Office to finalise a formal rental agreement with the owner of the building it currently occupies, and consideration should be given to imposing caps on the number of days long service leave that can be accrued and encouraging staff to take it when due.

Recommendations and consider points

Introduction

As outlined in the Summary on the previous pages, my review identified few recommendations. However, there are various matters that I believe the Auditor-General (A-G) might consider (referred to in this report as 'consider points'). This chapter also includes those occasions where, explicitly, no recommendation was made.

Recommendations

	Page
1. Recognising the suitability of current arrangements under section 21 of the Audit Act, whereby Ministers must respond within four months as outlined in that section, the A-G explore with the Public Accounts Committee how the issue of directions under section 35 might be refined to facilitate, without compromising the A-G's relationship with the Assembly, the ability of Directors-General to brief respective Ministers on the findings and conclusions in performance audit reports immediately prior to a report being tabled in the Assembly.	16
2. That the Office work with Shared Services to develop a training program for new and contracted audit staff on the role played by Shared Services and how government funding works.	21
3. That only complaints of a substantial nature which in light of any findings that the Committee may make, could lead to consideration to the removal of the Auditor-General from office should be subject to a formal inquiry. Any complaints and allegations of an operational nature about the Auditor-General be routinely considered by the Public Accounts Committee. <u>When assessing this recommendation, regard be had to the relevance and/or suitability, in both respects, of sections 9B, 9BA, 9BB and 9BC of the Audit Act.</u> This recommendation repeats that made by the 2020 Strategic Reviewer except that the words underlined have been added by me.	25
4. That the Office continue its efforts to finalise a rental agreement for the premises it currently uses.	28

No recommendation is made

	Page
I explored whether, to enhance the A-G's independence, the Office's budget should be set by the Parliament. However, that this does not happen is mitigated by the budget protocols which are in place and involve the A-G, the Speaker, the Public Accounts Committee and the Treasurer. The process followed outlined to me is a suitable mitigation of this risk and which would appear to have worked in practice. No recommendation is made.	13
In Chapter 2, I explore what is meant by the term 'performance audit'. I repeat my view that these arrangements are suitable and fit for purpose. No recommendation is made.	15
I explored the need for the Office to conduct independently run client satisfaction surveys and noted that, in a small jurisdiction, it may well be that regular (say once every two years) contact by the A-G with members of his primary client is more suitable than conducting independent client surveys. No recommendation is made.	23
I explored the possibility of a more formal, perhaps legislated, clarity arrangement between the Integrity Commissioner and the A-G but concluded this is a matter for the holders of these Offices. No recommendation is made.	27

Consider points

	Page
1. Regarding audit committee briefs, the A-G may wish to consider reviewing and updating the ACT AO mailing list to ensure as many agencies as possible are covered including Territory Owned Corporations.	13
2. That the A-G consider inclusion in the annual performance audit program of shorter, targeted projects.	15
3. That the A-G continue his current practice of ensuring that conclusions drawn in performance or other audit reports do not question the merits of government policy.	16
4. That the Office consider exploring voluntary compliance with ASA 701 <i>Communicating Key Audit Matters in the Independent Auditor's Report</i> .	19
5. That the Office consider conducting staff surveys biennially and, when doing so, ensure questions asked are contemporary.	20
6. That the Office's performance audit division explore completion of an independent engagement quality review (EQR) process at the planning	28

phase of its performance audits.	
7. That the Office consider imposing caps on the number of days long service leave that can be accrued and encouraging staff to take it when due.	29

Auditor-General's responses

Recommendation 1 – The Audit Office will work with the Public Accounts Committee to explore options to address this matter.

Recommendation 2 – The Audit Office will develop and implement a training program in consultation with Shared Services on the role played by Shared Services and how government funding works.

Recommendation 3 – The Auditor-General will refer this recommendation to the Public Accounts Committee to consider as it relates to processes to manage complaints or allegations about the Auditor-General.

Recommendation 4 – The Audit Office will continue its efforts to finalise a rental agreement for its current premises.

Consider point 1 – The Audit Office will update its distribution list to ensure that as many agencies as possible are included on the list of recipients for audit committee briefs.

Consider point 2 – The Audit Office will look for opportunities to achieve a better mix of performance audits in its annual performance audit program through the inclusion of shorter, targeted audits where appropriate.

Consider point 3 – The Auditor-General will continue its current practices and ensure conclusions drawn in performance or other audit reports do not question the merits of government policy.

Consider point 4 – The Audit Office agrees that currently there is no non compliance with ASA 701 as this auditing standard applies to audits of general purpose financial reports of listed entities.

Inclusion of Key Audit Matters in agencies auditor's reports has been previously considered by the Office when this standard was released and a number of discussions have been had since then with other Audit Office counter parts on a regular basis on the value of including KAMs in auditor's reports of high-risk public sector agencies as a better practice. The documentation and communication requirements of this standard are quite onerous and requires annual discussion with those charged with governance of agencies by senior members of the audit team. This will add to the time required from senior executives of agencies and will also add to the costs of undertaking an audit. It was assessed that the additional disclosures to what is already quite comprehensively disclosed in the financial statements will not add more value to the readers and after the initial year the key audit matters would largely be the same from year to year. On balance it was assessed that the cost of including additional disclosures in the auditor's report for

agencies would not outweigh the benefits of such a disclosure.

However, the Audit Office will consider including KAMs in the auditor's reports of Icon Water Limited and the ActewAGL Joint Venture as these entities are more akin to a public listed entity.

Consider point 5 – The Audit Office will work with the Office Consultative Committee to review and refine the staff survey process. This will include reviewing the questions asked through the survey to ensure they remain contemporary and considering conducting surveys biennially.

Consider point 6 – The Audit Office will explore how an independent Engagement Quality Reviewer can be appropriately engaged during the planning phase of its performance audits.

Consider point 7 – Audit Office staff are employed under the ACT Public Sector *Administrative and Related Classifications Enterprise Agreement 2023-2026 (the EA)*. The EA sets out staff entitlements to long service leave. Paragraph E25.11 states '*Long service leave is cumulative and there is no limit on the long service leave balance an employee may accrue.*' Given this paragraph in the EA, the Audit Office is unable to cap the number of days long service leave staff can accrue without contradicting the EA.

Staff are encouraged to plan and manage their leave to allow themselves adequate time for rest and recreation, particularly following peak periods.

Staff annual and flex leave balances are monitored regularly by supervisors and the Executive. If a staff member has accumulated excess annual or flex leave balances, they are requested to make a leave plan to bring their balance down.

Chapter 1 Background

Introduction

Under the *Auditor-General Act 1996* (the Audit Act) a strategic review (review) of the Auditor-General (A-G) 'must be carried out once in each term of the Legislative Assembly'.² The Audit Act provides that the Standing Committee on Public Accounts must:

- a. decide when the strategic review is to be carried out;³
- b. ask the Speaker to, on behalf of the Territory, engage a person to conduct the review;⁴
- c. decide terms of reference for the review, in consultation with the Minister;⁵ and
- d. ask the strategic reviewer to conduct the review according to the terms of reference.⁶

On 21 November I was appointed to carry out this review and this is my review report (report). My Terms of Reference (TOR) are outlined in Appendix A.

Strategic review of the Auditor-General

Under the Audit Act a review of the A-G consists of:

- a. a review of the A-G's functions (refer Chapter 2); and
- b. a performance audit of the A-G (Chapter 3 where I also respond to other matters outlined in the TOR).⁷

Approach taken and criteria applied

My approach was to follow in detail the requirements as specified in the TOR and as then outlined in each chapter of this report.

² *Auditor-General Act 1996*, s 24(1), viewed 24 July 2019, available at: [Auditor-General Act 1996 | Acts](#)

³ *Auditor-General Act 1996*, s 24(2).

⁴ *Auditor-General Act 1996*, s 25(1).

⁵ *Auditor-General Act 1996*, s 26(1)(a)(i).

⁶ *Auditor-General Act 1996*, s 26(1)(a)(ii).

⁷ *Auditor-General Act 1996*, s 23.

Chapter 2 Review of the Auditor-General's functions

Introduction

This Chapter outlines an assessment of the extent to which:

- a. present arrangements allow the A-G to fulfil the functions accorded that Office in the Audit Act, including those set out in section 10(1);
- b. the Audit Act makes appropriate provision to support the work of the A-G; and
- c. the extent to which the functions of the A-G, as set out in section 10 of the Audit Act, are fit for purpose and reflect best practice.

Present arrangements allow fulfilment of the functions accorded

My review of the many reports issued by the A-G, of supporting working paper files and documentation, and discussions with selected key stakeholders and ACT Audit Office (ACT AO) staff indicated to me present arrangements, and the application thereof, allow, and result in, fulfilment of all the functions outlined in the Audit Act including section 10(1). Evident is that the A-G audits the financial statements of the Territory, directorates and territory authorities (including Territory Owned Corporations and their subsidiaries and the University of Canberra).

The A-G conducts around seven to eight performance audits, as this term is defined in the Audit Act, each year and this is targeted to increase to nine per annum. With a resource of about 14 FTE performance auditors, this number of performance audits is commendable.

In particular, I noted a strong recognition and focus by the Office and the A-G on their role in promoting public accountability in public administration in the Territory. This was confirmed by:

- conversations with ACT AO staff and stakeholders;
- topics selected for performance audits which in most cases directly led to improving public accountability in public administration. Clear examples are the work on fraud prevention, procurement and information systems;
- matters raised in management letters resulting from audits of financial statements summaries of which are included in the annual Financial Audit Reports to the Legislative Assembly (the Assembly); and
- inclusion in the ACT AO publication called *Insights* of a summary of performance audit findings which is made publicly available on the Office's website, advertised in ACT Government whole-of-government email notices and included in audit committee briefs.

Promotion of this role is comprehensive as evidenced by:

- the thorough consultative process followed when developing the A-G's performance audit work plan;
- strong representation by chairs of audit committees⁸, chief financial officers and other public sector leaders at the annual webinars noting audit findings and changes in accounting and auditing standards; and
- provision to audit committees of the results of performance audits even where an entity may not have been the subject of the audit, with the common view being that each performance audit may identify matters all entities may wish to consider.

Consider point 1

Regarding audit committee briefs, the A-G may wish to consider reviewing and updating the ACT AO mailing list to ensure as many agencies as possible are covered including Territory Owned Corporations.

Auditor-General's response:

The Audit Office will update its distribution list to ensure that as many agencies as possible are included on the list of recipients for audit committee briefs.

The Act makes appropriate provision to support the work of the Auditor-General

In order for me to conclude on this requirement, I benchmarked the Audit Act with audit legislation in other Australian jurisdictions⁹. From this work, I concluded, with one possible exception discussed below, that the Audit Act makes appropriate provision to support the work of the A-G.

The only possible exception is greater certainty regarding the A-G's budget for the conduct of performance audits which are funded by appropriation. "Best practice" legislation is one where the Office's budget is set by the Parliament (in the Territory's case the Assembly), which is not the case in the ACT. However, this is mitigated by the budget protocols which are in place and involve the A-G, the Speaker, the Public Accounts Committee and the Treasurer. The process followed and outlined to me is a suitable mitigation of this risk and which would appear to have worked in practice. I make no recommendation.

The extent to which the functions of the Auditor-General, as set out in section 10 of the Audit Act, are fit for purpose and reflect best practice

My benchmarking, referred to above, and review of processes and documentation,

⁸ Use of the term audit committees is generic. Not all such committees fulfil the same functions. Some are referred to as audit and risk committees or audit and risk and compliance committees.

⁹ The benchmarking tool used was the report prepared by the late Dr Gordon Robertson, commissioned initially by the Victorian Auditor-General's Office, titled "Independence of Auditors General".

confirmed that the functions outlined in section 10 are fit for purpose. In making this conclusion, I note:

- Section 10(1)(a) to promote public accountability in public administration is, in my experience, unusual but most appropriate and, as reported earlier, is effectively promoted and practised by the A-G;
- The requirement for the A-G, outlined in section 10(2), to have regard to professional standards and practices is suitable and fit for purpose. My review of five financial statements audit files and three performance audit files confirmed that the standards and practices set by the Australian Auditing and Assurance Standards Board and by the Australian Accounting Standards Board are complied with. I also note that, in the management of his Office, the A-G has regard to best practice governance arrangements including risk management and, to the extent relevant, strategic planning. I discuss risk management in greater detail in Chapter 3;
- Evidence exists of where the A-G has conducted audits of multiple entities as envisaged by section 10B. Examples include the report on Fraud Prevention, Implementation of the Aboriginal and Torres Strait Islander Agreement and the report on the Activities of the Government Procurement Board; and
- The capacity for the A-G to conduct joint or collaborative audits (as envisaged by section 10C) is suitable, although to date no such audits have been carried out. Despite this, this capacity should remain because the conduct of performance audits in collaboration with other Australian audit offices with a common objective can benefit respective jurisdictions and facilitate comparative performance.

Discussion about the A-G's performance audit mandate

As noted earlier, I have concluded that the performance audit mandate is fit for purpose and is practised appropriately. I will now explore what is meant by the term performance audit from the drafting in the Audit Act. Section 11B notes that a performance audit means (my emphasis by underlining) "... a review or examination of any aspect of the operations of the entity". I interpret this as including any or all of:

- A performance audit (an examination) where reasonable assurance is provided;
- A performance review where limited assurance is provided;
- An investigation, such as a potential fraud matter;
- Compliance by an entity with relevant laws, regulations and policies;
- In line with the Assembly's expectation that the A-G promote public accountability in public administration, the conduct of audit type procedures resulting in the provision of an information report. The ACT Emergency Services Agency cleaning services arrangements information report is an example of this;
- That performance audits may at any time be conducted in respect of the entities

and trusts referred to in section 12; and

- The explicit inclusion in section 12(2) allowing the A-G the discretion, where appropriate, to take into account environmental issues relative to the operations being reviewed or examined, having regard to ecologically sustainable development. This provision, while already pertinent, may become even more so as accounting standards (currently under development) on sustainability reporting and reporting risks associated with climate impacts are finalised.

No recommendation is made. I repeat my view that these arrangements are suitable and fit for purpose.

Discussion about how the A-G goes about developing his performance audit program

Section 13 of the Audit Act spells out the scope and consultation to be followed in developing this program. My inquiries confirmed that the expected consultation occurs as required. Stakeholders with whom I met supported this process, noting they are pleased to have been consulted while recognising that the final program, as expected, is the A-G's.

An observation I found relevant for consideration: in recent times the A-G's performance audits have involved significant and complex projects, at times involving more than one agency. Perhaps time for some shorter, targeted projects?

Consider point 2

That the A-G consider inclusion in the annual performance audit program of shorter, targeted projects.

Auditor-General's response:

The Audit Office will look for opportunities to achieve a better mix of performance audits in its annual performance audit program through the inclusion of shorter, targeted audits where appropriate.

Other matters raised in connection with the processes followed by the A-G

Two matters came up during the course of my review:

1. Requests that the A-G give consideration to not giving section 35 directions as they relate to performance audit reports about to be tabled in the Assembly.

This section provides the A-G with the discretion to give a direction to a person (for example, to a Director-General) prohibiting or restricting the disclosure of protected information (for example, a performance audit report about to be tabled) – referred to as section 35 directions. The requests made to me were in the context that a Director-General wished to brief their Minister about key aspects in the performance audit report so that the proposed Minister was well informed when the report is tabled.

When discussing this with the A-G, I noted:

- the A-G does not always make use of this section;
- he does so when a performance audit report contains sensitive findings; and
- his primary obligation is to the Assembly, not to D-Gs or Ministers, and that allowing such briefings despite the existence of a direction might compromise the A-G's relationship with the Assembly.

Recommendation 1

Recognising the suitability of current arrangements under section 21 of the Audit Act, whereby Ministers must respond within four months as outlined in that section, the A-G explore with the Public Accounts Committee how the issue of directions under section 35 might be refined to facilitate, without compromising the A-G's relationship with the Assembly, the ability of Directors-General to brief respective Ministers on the findings and conclusions in performance audit reports immediately prior to a report being tabled in the Assembly.

Auditor-General's response:

The Audit Office will work with the Public Accounts Committee to explore options to address this matter.

2. Circumstances where the view expressed to me was that on two performance audit projects, the A-G may have commented on the merits of government policy rather than on the application of government policy. In this respect, I note the commonly held view, with which I concur, that auditors-general should not comment on the merits of government policy but they should be able to carry out performance audits that assess the application of policy.

Because these observations were made to me, I studied the reports of the two performance audits in question. I formed the conclusion that the A-G did not comment in either of those reports on the merits of policy. Instead, his findings and conclusions identified, in his opinion, that the policies in question were not being appropriately applied. I make no recommendation regarding this matter. However, the A-G may wish to consider, where applicable, engaging with the Head of Service, or with a Director-General whose agency is the subject of a performance audit, prior to the completion of that performance audit, as to whether any doubts exist about the A-G questioning the merits rather than application of policy. In suggesting this, I noted that such consideration was given in the two performance audits in question and occasions may always arise where differing points of view remain.

Consider point 3

That the A-G continue his current practice of ensuring that conclusions drawn in performance or other audit reports do not question the merits of government policy.

Auditor-General's response:

The Auditor-General will continue its current practices and ensure conclusions drawn in performance or other audit reports do not question the merits of government policy.

Conclusions on Chapter 2, Review of the Auditor-General's functions

My work completed in this chapter leads me to the overall conclusion that:

- present arrangements allow the A-G to fulfil the functions accorded that Office in the Audit Act, including those set out in section 10(1);
- the Audit Act makes appropriate provision to support the work of the A-G; and
- the functions of the A-G, as set out in section 10 of the Audit Act, are fit for purpose and reflect best practice.

When reviewing the A-G's performance audit program and discussing this with key stakeholders, I concurred with the view that recently some performance audits have involved significant and complex projects at times involving more than one agency. I supported a suggestion that the A-G may wish to consider including in this program some shorter, targeted projects.

Two other matters arose from discussions with stakeholders which led to the proposal that:

- while recognising the suitability of current arrangements under section 21 of the Audit Act, whereby Ministers must respond within four months as outlined in that section, the A-G explore with the Public Accounts Committee how the issue of directions under section 35 might be refined to facilitate, without compromising the A-G's relationship with the Assembly, the ability of Directors-General to brief respective Ministers on the findings and conclusions in performance audit reports immediately prior to a report being tabled in the Assembly; and
- the A-G continue his current practice of ensuring that conclusions drawn in performance or other audit reports do not question the merits of government policy.

Chapter 3 Performance audit of the Auditor-General

Introduction

The Terms of Reference (TOR) in Appendix A outline what I was required to consider. This chapter responds to each requirement in the order noted in the TOR. To enable me to conclude on each of the matters outlined in my TOR, I carried out the following, all of which was aimed at assessing the efficiency and effectiveness of the Office:

- studied the Act in its entirety;
- selected five financial audit files (including the review of performance statements where that was a requirement) and three performance audit files and reviewed the quality of the audit work done and compliance with standards;
- met with the A-G and selected members of his staff on matters relating to the performance of the Office. The scope of these conversations included matters relating to the governance and management of the Office's finances, human resources, information technology, governance including committee structures, strategy and risk management, information systems including document controls and shared service arrangements;
- met with the Chair of the Office's Consultative Committee, the objective of which was to better understand how the Office manages its most important resource, its people, and how the Office responds to staff-related matters. In this respect, I noted that a member of the Office Consultative Committee is a member of the Office Executive and the minutes of Executive Meetings are made available on the Office's intranet, a practice I support;
- met with the independent Chair of the Office's Audit and Risk Committee (A&RC), which provided me with an external perspective of governance-related matters in the Office including internal audits;
- spoke with responsible Office staff and studied selected documents focusing on Office policies, advice to the A-G, financial delegations, risk registers, minutes of Executive meetings and of the A&RC, and internal audit reports;
- met with selected leaders in the ACT Public Sector including Directors-General, Chief Financial Officers, audit committee chairs and respective Chief Executive Officers (CEOs) of government businesses and their contracted financial auditor, and the CEO and Chair of the Audit and Risk Committee of a statutory authority. My objectives here were many – to understand how the A-G, while maintaining his independence, manages relationships, and to get various perspectives on the conduct of audits and development of the performance audit program;
- met with the Integrity Commissioner, an objective of which was to better

understand how he and the A-G may work together in the best interests of improving public administration;

- met with the Public Accounts Committee, my objectives being to explore the members' relationship with the A-G, how they had responded to previous strategic reviews, their approach to reviewing reports issued by the A-G and their expectations of my review;
- met with the Speaker, my objective being to provide her with a progress report on my work, to understand her relationship with the A-G and to ensure we had the same objectives in mind for my review; and
- met with the Senior Director, Office of the Clerk.

Conformance with contemporary standards and best practice in auditing

In the conduct of the audits of the financial statements of ACT entities, reviews of performance statements prepared by them, and in the conduct of performance, or similar, audits, the A-G employs and conforms with contemporary standards and best practice in auditing. My review of audit and review files indicated sound compliance with auditing and review standards issued by the Australian Auditing and Assurance Standards Board. However, the Office does not currently comply with Australian Auditing Standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* – nor does it need to because this standard applies to the audits of the general purpose financial reports of listed entities and in those circumstances where the auditor otherwise decides to communicate key audit matters (KAMs) in the auditor's report¹⁰.

My review of financial audit working paper files confirmed that, as part of planning financial audits, the Office identifies, documents and, where relevant, discusses financial audit risks with respective audit committees. Some A-Gs have, despite not being required to, chosen, for high-risk audits, to identify KAMs and comply with ASA 701. Doing so provides readers of those financial reports with information about the auditor's assessment of financial risk and audit attention given to these in the auditor's report.

Having included the discussion about KAMs, I acknowledge the valid concern raised with me that applying ASA 701 can result in 'boiler plate' reports. That is, reports vary little from year to year and over time can lose their emphasis.

Consider point 4

That the Office consider exploring voluntary compliance with ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

Auditor-General's response:

The Audit Office agrees that currently there is no non compliance with ASA 701 as this

¹⁰ ASA 701 paragraph 5

auditing standard applies to audits of general purpose financial reports of listed entities.

Inclusion of Key Audit Matters in agencies auditor's reports has been previously considered by the Office when this standard was released and a number of discussions have been had since then with other Audit Office counter parts on a regular basis on the value of including KAMs in auditor's reports of high-risk public sector agencies as a better practice. The documentation and communication requirements of this standard are quite onerous and requires annual discussion with those charged with governance of agencies by senior members of the audit team. This will add to the time required from senior executives of agencies and will also add to the costs of undertaking an audit. It was assessed that the additional disclosures to what is already quite comprehensively disclosed in the financial statements will not add more value to the readers and after the initial year the key audit matters would largely be the same from year to year. On balance it was assessed that the cost of including additional disclosures in the auditor's report for agencies would not outweigh the benefits of such a disclosure.

However, the Audit Office will consider including KAMs in the auditor's reports of Icon Water Limited and the ActewAGL Joint Venture as these entities are more akin to a public listed entity.

In addition, I found evidence that the Office:

1. Demonstrates the highest standards of ethical behaviour – the Office has policies in place requiring all staff to behave in this manner and I noted references to ethical requirements and suitable processes around managing conflicts of interest in the Office and in relation to audits. The Office's annual report, where relevant, outlines its vision, role and values. Importantly, what is meant by its five values (independence, integrity, professionalism, respect, and learning and innovation) is outlined and reinforced in the Office's strategic plan 2023-26. My interviews with Office staff, review of the results of a recent staff survey and walks around the Office led me to conclude that a sound Office culture exists.

Staff surveys¹¹ are carried out annually and results shared with all staff. Steps are taken to address areas identified for improvement, although these were few in number. However, conducting these surveys annually may make it difficult to effect change prior to the next such survey.

Consider point 5

That the Office consider conducting staff surveys biennially and, when doing so, ensure questions asked are contemporary.

Auditor-General's response:

The Audit Office will work with the Office Consultative Committee to review and refine the staff survey process. This will include: reviewing the questions asked through the

¹¹ These surveys are conducted independently.

survey to ensure they remain contemporary; and considering conducting surveys biennially.

2. Demonstrates a fair and constructive approach to the conduct of performance audits as evidenced by:
 - a. the consultative approach taken when developing the performance audit program;
 - b. observations made to me when meeting with numerous stakeholders; and
 - c. my review of performance audit working paper files.
3. Demonstrates accuracy and reliability of assessments and advice as evidenced by my discussions with stakeholders and review of evidence recorded in working paper files.
4. Builds sound relationships with auditees and stakeholders. The existence of this was evidenced by my meetings with multiple stakeholders already referred to. Without exception, and while some suggestions were made regarding audit processes, stakeholders expressed the views that relationships were good. Having said this, observations from some stakeholders directly associated with audits included the need for:
 - a. training for new audit staff and contracted audit staff on how government funding (appropriations and grant funding) works and the role played by Shared Services in the Territory;
 - b. less staff turnover at the junior levels (this is a common observation in my experience and difficult to avoid. No recommendation is made); and
 - c. a request that, when conducting performance audits, engagement is with nominated client contacts in the first instance when searching for documents or discussing audit findings.

Recommendation 2

That the Office work with Shared Services to develop a training program for new and contracted audit staff on the role played by Shared Services and how government funding works.

Auditor-General's response:

The Audit Office will develop and implement a training program in consultation with Shared Services on the role played by Shared Services and how government funding works.

5. Complies with legislated requirements – nothing that I saw or read led me to conclude that the Office does not comply with legislated requirements. It does comply with the Audit Act. However, I noticed that legal compliance is not on the

Office's risk register and I concurred with a recent recommendation made by the Office's internal auditor that the Office develop a compliance register. The Office's Risk Officer and the Chair of the Office's A&RC both agree. However, a word of caution – prioritise what goes into the compliance register because, while legal compliance is essential, it can become all consuming.

6. Applies appropriate selection criteria and risk frameworks for selection of topics for performance audits. The approach taken to selecting performance audit projects is outlined in the Office's performance audit program developed annually as required by section 13 of the Audit Act. This program is developed following comprehensive discussion with a range of key stakeholders and, once finalised, provides no surprises.
7. Demonstrates appropriate and adequate evidence leading to the A-G's findings and recommendations regarding the efficiency of service provision by public entities audited. My review of three performance audit files and associated performance audit reports led me to conclude that audit systems, process and documentation support the A-G's findings, recommendations and conclusions regarding the efficiency and/or effectiveness of service provision by the entities audited.
8. Applies effective governance and management practices – my review of Office governance arrangements, including committee structures, found that governance and management practices in the Office work well as evidenced by:
 - a. my review of the minutes of monthly Executive meetings where appropriate matters are discussed including the status of audits;
 - b. effective committee charters are in place including for the Office's A&RC;
 - c. financial reports provided to and discussed at monthly Executive meetings were thorough, addressing current performance, identifying risks and opportunities, projecting financial performance and anticipating budget expectations;
 - d. discussions with the Chair of the Office's A&RC and reading the minutes of their meetings;
 - e. review of internal audit reports;
 - f. review of risk registers and actions taken to address identified risks;
 - g. review of the Office's strategic plan and reporting against strategies identified; and
 - h. review of six-monthly reports provided to the Speaker which I found most informative, as does the Speaker.
9. Is effective in its communication and relationships with key stakeholders, including the Legislative Assembly, the Standing Committee on Public Accounts (the Public Accounts Committee or the PAC), the ACT Executive, and the heads

of ACT government agencies – all stakeholders with whom I met noted solid communication flows both ways.

10. Manages its human, financial and other resources effectively – in my view adequate for the size of the Office, using contractors where necessary, and with suitable support from Shared Services.
11. Provides value for money (VFM) for services provided. Assessing the VFM of an audit office is not straightforward and I am unaware of relevant benchmarks. Having said this, I chose to assess VFM in four ways by:
 - a. reviewing responses by auditees to post-audit surveys arranged following financial and performance audits;
 - b. assessing the efficiency of the Office based on independent surveys carried out by Orima – refer Chapter 4;
 - c. reviewing an independent consulting report which examined the Office's Cost Allocation and Recovery Policy – refer Chapter 4; and
 - d. examining the Office's operating financial performance and its net operating cash flows for the six years ended 30 June 2023 – refer Appendix C.

In relation to 11(d), my analysis of the Office's financial performance indicated to me that:

- action was needed by the A-G to address operating deficits in the period 2018 to 2021 and the negative operating cash flows in each of 2018 to 2020; and
- the action taken to initiate the Cost Allocation and Recovery Policy review referred to above and discussed in more detail in Chapter 4 was appropriate.

I was also advised that, in addition to the above measures, in 2022 the A-G invited himself to meet one on one with every member of the Assembly at which discussions were held about the performance of the Office. I was provided with evidence that these meetings took place with some members, and I noted that actions arose from these meetings.

I make no recommendation. In a small jurisdiction it may well be that regular (say once every two years) contact for by the A-G with members of his primary client (that is members of the Assembly) is more suitable than conducting independent client surveys.

12. Demonstrates effectiveness in supporting public accountability in the Territory, including with regard to the findings and recommendations of the Audit Office – addressed in Chapter 2.
13. Fulfils the ACT Audit Office's self-determined role, namely:
 - a. to provide an independent view to the ACT Legislative Assembly and the community on the accountability, efficiency and effectiveness of the ACT

Public Sector – my assessment is that the Assembly and the community can be assured that the Office is accountable, efficient and effective;

- b. to foster accountability in public administration in the Territory – I respond to this in Chapter 2; and
- c. to promote efficiency and effectiveness of public services and programs provided by the Territory – I note that the Office’s performance audits all have this in mind and my review of audit files and reports suggest this is the case.

Conclusion on Chapter 3

The TOR required me to consider 13 factors in conducting a performance audit of the Auditor-General and of his Office. Performance audits conducted under ASAE 3500 *Performance Engagements* require me to conclude as follows bearing in mind paragraphs 43 and 49 of ASAE 3500 which read:

43. The assurance report shall be in writing and shall contain a clear expression of the assurance practitioner’s reasonable assurance conclusion about the activity’s performance against the objectives communicated and/or agreed in the terms of the performance engagement. (Ref: Para A49)

49. If during the course of the performance engagement the assurance practitioner identifies any material variations in the activity’s performance, the assurance practitioner shall report those variations to the responsible party(ies) on a timely basis in order to allow the responsible party sufficient time to investigate and respond to the identified variations.¹²

Having completed my performance audit, based on the criteria outlined in the TOR, it is my conclusion that the community and Assembly have reasonable assurance that the activities performed by the ACT Audit Office and the Auditor-General are effective and efficient and the Auditor-General is suitably accountable for the actions of his Office.

¹² https://www.auasb.gov.au/admin/file/content102/c3/ASAE-3500_10-17.pdf

Chapter 4 Other matters

Introduction

The TOR for this review required that, in relation to both the review of *functions* (Chapter 2) and the *performance audit* (Chapter 3), the strategic reviewer will:

1. 'compare present findings with those of the previous strategic review dated 13 February 2020'. The previous reviewer made 10 recommendations: 9 for the Office to respond to and one (recommendation 9) requiring input from the Public Accounts Committee (PAC):

- The Office took action on the nine for which it was responsible and then engaged its internal auditor to independently assess actions taken. That internal audit report identified no matters outstanding. I am satisfied that the Office has taken suitable action on these nine recommendations – refer Appendix B.
- The recommendation allocated to the PAC was:

Only complaints of a substantial nature which in light of any findings that the Committee may make, could lead to consideration to the removal of the Auditor-General from office should be subject to a formal inquiry. Any complaints and allegations of an operational nature about the Auditor-General be routinely considered by the Public Accounts Committee.

The PAC examined this matter and, in its report No 12 of May 2020, which had regard to a *Complaint regarding Auditor-General Report No 3 of 2018*¹³, it concluded in its Executive Summary as follows:

After considering the complaint the Committee recommends that the Legislative Assembly for the ACT develop and implement a protocol for dealing with complaints against the Auditor-General and other officers of the Assembly.

I met with the PAC at which it was confirmed that no further action has been taken by it or by the Assembly since making its recommendation in its Report No 12. I concur with the recommendation made by the previous strategic reviewer for the reasons outlined in his report. Therefore, I repeat that recommendation but amend it (refer underlining) as follows:

Recommendation 3

That, only complaints of a substantial nature which in light of any findings that the Committee may make, could lead to consideration to the removal of the Auditor-General from office should be subject to a formal inquiry. Any complaints and allegations of an operational nature about the Auditor-General be routinely considered by the Public Accounts Committee. When assessing this recommendation, regard be had to the relevance and/or suitability, in both respects, of sections 9B, 9BA, 9BB and 9BC of the Audit Act.

¹³ Tender for the sale of Block 30 (formerly Block 20) section 34 Dickson

This recommendation repeats that made by the 2020 Strategic Reviewer except that the words underlined have been added by me.

Auditor-General's response:

The Auditor-General will refer this recommendation to the Public Accounts Committee to consider as it relates to processes to manage complaints or allegations about the Auditor-General.

2. 'benchmark the Audit Office against an appropriate comparator'. Two benchmarking reports were examined:
 - the 2022-23 macro benchmarking survey final report independently prepared by Orima. This confidential survey benchmarks the comparative performance of audit offices in Australia¹⁴ applying a range of indicators recording efficiency of financial audit, performance audit, human resources, office costs, training and quality assurance functions. The survey is independent and robust, providing information covering multiple periods. Results are reported for each audit office and averages for states/territories and for all audit offices. Bearing in mind scale (the ACT AO is the smallest office in this sample), the results for the Office were sufficiently suitable for me to conclude that the Office is efficient by comparison with its peers; and
 - an independent consulting report commissioned by the Office in 2021 which assessed the Office's Cost Allocation and Recovery Policy providing conclusions regarding financial audit fees and funds required to enable the Office to deliver its performance audit program. Commissioning this exercise would appear to have been influenced by the operating and cash-flow deficits experienced by the Office prior to 2022 (refer Appendix C). This work resulted in updating the Office's public document titled ACT Audit Office Approach to Setting Audit Fees issued in July 2021 and the development of a business case which resulted in an increase in the appropriation covering the performance audit function. Both actions resulted in improved financial performance as outlined in Appendix C.

Also relevant is my view that the corporate functions of the Office are carried out effectively by a very small team of personnel well supported by Shared Services.

3. 'consult with key stakeholders'. I met with 20 key stakeholders, with the A-G and multiple Office staff. Without exception, key external stakeholders supported the work of the Office and how the Office goes about its work. Matters that were raised with me for consideration/recommendation are, with one exception, dealt with elsewhere in this report. The one exception arose from my meeting with the Integrity Commissioner. I concluded from that discussion that:
 - a sound relationship exists between the Integrity Commissioner and the

¹⁴ All but the NTAGO

A-G;

- they ensure, to the extent possible, information sharing and no overlap in respective work carried out. This is relevant because of suggestions made to me by others of the need to ensure no duplication of work.

I explored the possibility of a more formal, perhaps legislated, clarity arrangement between them but concluded this is a matter for the holders of these Offices. No recommendation is made.

4. 'consider whether any expansion of the legislative functions and role of the Auditor-General would provide additional value'. This was explored in Chapter 3 where I concluded that no changes to the Audit Act is required.
5. 'review any other matters the strategic reviewer considers relevant to the effectiveness of the Auditor-General'. With a focus on effectiveness, I noted many areas of better practice adopted by the Office including:
 - the process for developing the Office's performance audit program is effective;
 - members of audit committees, chief financial officers, Directors-General and other leaders welcome the Office's webinar addressing updates to accounting and auditing standards, presentation of common audit findings and related matters;
 - audit committees review findings and recommendations from performance audits even when not involved in those audits;
 - the voluntary six-monthly reports to the Speaker are comprehensive and relevant;
 - the manner in which the A-G engages with Office staff is effective, as evidenced by the establishment of the Office Consultative Committee, inclusion of a representative from this Committee on the Office Executive, making available the minutes of Executive committee meetings on the Office intranet site;
 - financial audit and performance audit staff, during the conduct of audits, engage with those charged with governance at appropriate levels and, when needed, advise them on the progress of audits;
 - financial audit staff appropriately engage with the Finance Collaboration Forum at least twice per year;
 - the arrangement under which 'cold' reviews of performance audit files are carried out between the Office and the Tasmanian audit office and South Australian auditor-general's department;
 - the use of independent experts in the conduct of performance audits;
 - for high-risk financial audits, the use of independent experts to carry out engagement quality reviews (EQR) of audit files at the planning, interim

and review phases. Similar arrangements are used for performance audits although only at the final audit phase. A critical phase of any performance audit is at the planning stage when objectives and audit criteria are developed. I see benefit in the performance audit division within the Office also initiating, for selected audits, EQR at the planning phase; and

Consider point 6

That the Office's performance audit division explore completion of an independent EQR process at the planning phase of its performance audits.

Auditor-General's response:

The Audit Office will explore how an independent Engagement Quality Reviewer can be appropriately engaged during the planning phase of its performance audits.

- the approach taken by the A-G to engage regularly with key stakeholders including the PAC, parliamentarians and Directors-General. However, more regular catch ups with the Head of Service and Under Treasurer, without impacting independence, is encouraged.
6. an area of risk for the Office is that, despite having relocated to its current premises three years ago, it has still to finalise a rental agreement with the building's owners. Discussions with the Office indicated that steps are being taken to pursue this and that a draft rental agreement has been put to the owners. This needs to be addressed and should cover tenancy, rental costs and security.

Recommendation 4

That the Office continue its efforts to finalise a rental agreement for the premises it currently uses.

Auditor-General's response:

The Audit Office will continue its efforts to finalise a rental agreement for its current premises.

7. Also, an area of risk for the Office to consider was explored which relates to its management of long service leave (LSL) arrangements for staff. In more than one jurisdiction in Australia, LSL is capped at 100 days with staff unable to accrue more than this number of days and being expected to take LSL each 10 years. There is no such cap in the ACT and it would be inappropriate for me to question this. However, in reflecting on this I explored the purposes for having LSL arrangements in place which is, of course, to permit or encourage taking LSL once 10 years of employment has been reached. The risks of not doing so include:

- staff burnout;
- potential for fraud – I can recollect at least two occasions in my experience where LSL (or annual leave) was not taken because the responsible staff member was committing fraud only identified when that person ultimately took leave; and
- LSL provisions grow with time so that, when ultimately taken, often as part of retirement or moving to other employment, the cost can be much higher.

Consider point 7

That the Office consider imposing caps on the number of days LSL that can be accrued and encouraging staff to take LSL when due.

Auditor-General's response:

Audit Office staff are employed under the ACT Public Sector *Administrative and Related Classifications Enterprise Agreement 2023-2026 (the EA)*. The EA sets out staff entitlements to long service leave. Paragraph E25.11 states '*Long service leave is cumulative and there is no limit on the long service leave balance an employee may accrue.*' Given this paragraph in the EA, the Audit Office is unable to cap the number of days long service leave staff can accrue without contradicting the EA.

Staff are encouraged to plan and manage their leave to allow themselves adequate time for rest and recreation, particularly following peak periods.

Staff annual and flex leave balances are monitored regularly by supervisors and the Executive. If a staff member has accumulated excess annual or flex leave balances, they are requested to make a leave plan to bring their balance down.

Conclusions in Chapter 4

The Office took appropriate action in response to recommendations made by the strategic reviewer in 2020. However, the recommendation that required consideration by the PAC, while dealt with by it, remains outstanding resulting in a revised recommendation 3.

Bearing in mind the smaller size of the Office compared with its peers, the Office benchmarks reasonably well on a range of efficiency metrics and, following completion of an independent consulting exercise in 2021 reviewing the Office's Cost Allocation and Recovery Policy, appropriate steps were taken to address deficits being incurred, resulting in return to surpluses in 2022.

Without exception, the 20 stakeholders with whom I engaged supported the work of the Office and how it goes about doing its work. This included the Integrity Commissioner with whom a sound relationship exists.

Without providing detail in the conclusion, this chapter includes a range of better practices adopted by the Office, one of which is the six-monthly reports to the Speaker which I

endorse.

There is a need for the Office to finalise a formal rental agreement with the owner of the building it currently occupies, and consideration should be given to imposing caps on the number of days LSL that can be accrued and encouraging staff to take LSL when due.

Appendix A Terms of reference

Strategic review of the ACT Auditor-General 2023-24

Amended Terms of Reference December 2023

1. Background (completed – refer Chapter 1)

Under the *Auditor-General Act 1996* (ACT) a strategic review of the Auditor-General ‘must be carried out once in each term of the Legislative Assembly’¹⁵. The ACT provides that the Standing Committee on Public Accounts must:

- a) decide when the strategic review is to be carried out¹⁶;
- b) ask the Speaker to, on behalf of the Territory, engage a person to conduct the strategic review¹⁷;
- c) decide the terms of reference for the strategic review, in consultation with the Minister¹⁸;
- d) ask the strategic reviewer to conduct the strategic review according to the terms of reference¹⁹.

2. Terms of Reference (completed – refer Chapter 1)

Under the *Auditor-General Act 1996* (ACT) a *strategic review* of the Auditor-General consists of:

- a) a review of the Auditor-General’s functions; and
- b) a performance audit of the Auditor-General.²⁰

3. Review of the Auditor-General’s functions (completed – refer Chapter 2)

In conducting a review of the Auditor-General’s *functions* the strategic reviewer will consider the extent to which:

- a) present arrangements allow the ACT Auditor-General to fulfil the functions accorded that office in the *Auditor-General Act 1996*,⁷ including those set out in section 10(1) of the Act,

¹⁵ *Auditor-General Act 1996*, s 24(1), viewed 24 July 2019, available at: [Auditor-General Act 1996 | Acts](#)

¹⁶ *Auditor-General Act 1996*, s 24(2).

¹⁷ *Auditor-General Act 1996*, s 25(1).

¹⁸ *Auditor-General Act 1996*, s 26(1)(a)(i).

¹⁹ *Auditor-General Act 1996*, s 26(1)(a)(ii).

²⁰ *Auditor-General Act 1996*, s 23.

- b) the *Auditor-General Act 1996* makes appropriate provision to support the work of the Auditor-General, and
- c) the extent to which the functions of the Auditor-General, as set out in section 10 of the *Auditor-General Act 1996*, are fit for purpose and reflect best practice.

4. Performance audit of the Auditor-General (completed – refer Chapter 3)

In conducting a *performance audit* of the Auditor-General, the reviewer will consider:

1. the extent to which the Auditor-General employs and conforms with contemporary standards and best practice in auditing, including:
 - a. demonstrating the highest standards of ethical behaviour;
 - b. demonstrating a fair and constructive approach to performance audits;
 - c. demonstrating accuracy and reliability of assessments and advice; and
 - d. building strong relationships with auditees and stakeholders;
2. compliance with legislated requirements;
3. selection criteria and risk frameworks for selection of topics for performance audits;
4. appropriateness and adequacy of evidence leading to the Auditor-General's findings and recommendations efficiency of service provision;
5. governance and management practices;
6. effectiveness of communication and relationships with key stakeholders, including the Legislative Assembly for the ACT, the Standing Committee on Public Accounts, the ACT Executive, and the heads of ACT government agencies;
7. an assessment of human, financial and other resources;
8. value for money for services provided;
9. effectiveness in supporting public accountability in the Territory, including with regard to the findings and recommendations of the Audit Office;
10. the extent to which the Auditor-General fulfils the ACT Audit Office's self-determined role, namely:
 - a. to provide an independent view to the ACT Legislative Assembly and the community on the accountability, efficiency and effectiveness of the ACT Public Sector;
 - b. to foster accountability in public administration in the Territory; and
 - c. to promote efficiency and effectiveness of public services and programs

provided by the Territory.

5. Other matters (completed – refer Chapter 4)

In relation to both the review of functions and the performance audit the strategic reviewer will:

1. compare present findings with those of the previous strategic review;
2. benchmark the Audit Office against an appropriate comparator;
3. consult with key stakeholders;
4. consider whether any expansion of the legislative functions and role of the Auditor-General would provide additional value; and
5. review any other matters the strategic reviewer considers relevant to the effectiveness of the Auditor-General.

6. Timing

The strategic reviewer will report to the Speaker of the Assembly in June 2024.

7. Qualifications

The strategic reviewer will demonstrate:

- a) professional integrity;
- b) comprehensive knowledge of public sector auditing;
- c) no pecuniary or other interest in the outcome of the Review;
- d) the capacity to manage conflicts of interest effectively, where necessary; and will have
- e) no substantive ties to the Auditor-General or Audit Office.

The Committee ratified the Terms of Reference on 26 September 2023 and amended the reporting date on 6 December 2023.

Appendix B Summary of financial results

In partial response to my assessment of the efficiency of the Office, I assessed its operating results and operating cash flows as recorded in the table below.

ACT AO financial results in recent years						
Operating Results for the six years ended 30 June 2023						
	2018	2019	2020	2021	2022	2023
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Income						
Appropriation	2,855	2,927	3,124	3,546	4,058	4,064
Financial audit fees	3,968	4,036	4,810	4,778	5,281	5,788
Other income	106	77	106	82	88	182
Total income	6,929	7,040	8,040	8,406	9,427	10,034
Expenses						
Employee expenses	4,553	4,834	6,392	6,541	6,484	7,051
Supplies and services	2,662	2,190	2,576	2,121	1,792	2,345
Depreciation and amortisation	52	52	66	41	16	17
Total Expenses	7,267	7,076	9,034	8,703	8,291	9,413
Operating result	- 338	- 36	- 994	- 297	1,136	621
Operating cash flows for the six years ended 30 June 2023						
Net operating cash flows	- 577	- 141	- 912	1,095	1,692	457