

ACT AUDITOR-GENERAL'S REPORT

ANNUAL REPORT 2020-21

REPORT NO.9 / 2021

Corrigendum

CORRIGENDUM**ACT AUDITOR-GENERAL'S REPORT****ANNUAL REPORT 2020-21****REPORT No. 9 / 2021**

This corrigendum corrects the following errors in the *ACT Auditor-General's Report Annual Report 2020-21*:

Page 14

Under the heading 'B.2.2 Financial results of the ACT Audit Office':

- omit 'In 2020-21, income (\$9.365 million) largely consisted of financial audit fees (\$5.737 million)...' and replace with 'In 2020-21, income (\$8.406 million) largely consisted of financial audit fees (\$4.778 million)...'; and
- omit 'The Audit Office made an *operating surplus* of \$662,000 in 2020-21...' and replace with 'The Audit Office made an *operating deficit* of \$297,000 in 2020-21...'.

Page 47 to page 50

- Section 'C.1 Financial management analysis' were published with incorrect 2020-21 actual figures, on pages 47 to 50 of the ACT Audit Office Annual Report. The section with corrected figures and analysis are attached with this corrigendum as page 47 to page 50.

Page 51 to page 83

- Section 'C.2 Financial statements' were published with incorrect 2020-21 actual figures, on pages 51 to 83 of the ACT Audit Office Annual Report. The section with corrected figures, declarations by the Auditor-General and Chief Operating Officer of the ACT Audit Office dated 17 January 2022, along with the auditor's report dated 9 February 2022 are attached with this corrigendum as page 51 to page 84.

not apply to the Audit Office. While the Audit Office is not required to have strategic or accountability indicators, it does so as better practice. Each year, the Audit Office also:

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

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

B.2.2 Financial results of the ACT Audit Office

In 2020-21, income (\$8.406 million) largely consisted of financial audit fees (\$4.778 million) and appropriation (\$3.546 million); expenses (\$8.703 million) largely comprised of employee expenses (\$6.541 million) and supplies and services costs (\$2.121 million).

The Audit Office made an *operating deficit* of \$297,000 in 2020-21 compared to the budgeted operating deficit of \$647,000.

The Audit Office is continually working on measures to improve its financial position. These measures include a combination of seeking additional appropriation, revisiting the costs to be recovered in financial audit fees from agencies and reviewing the Audit Office's overall operating costs.

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

B.2.3 Performance audits

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

The Audit Office has robust planning, consultation and topic selection processes for the annual performance audit program. The consultation involves the Standing Committee on Public Accounts, Members of the Legislative Assembly, the Head of Service,

C.1 Financial management analysis

This section discusses the ACT Audit Office's (Audit Office) financial results and presents estimates of amounts contained in the 2020-21 Budget Papers.

C.1.1 Operating results

The Audit Office recorded an *operating deficit* of \$297,000 in 2020-21 compared to the budgeted deficit of \$647,000 and an operating deficit of \$994,000 in 2019-20. The significantly better operating result is largely due to lower employee expenses from more annual and long service leave taken by staff in 2020-21.

The Audit Office is continually working on measures to improve its financial position. These measures include a combination of seeking additional appropriation, revisiting the costs to be recovered in financial audit fees from agencies and reviewing the Audit Office's overall operating costs.

C.1.2 Financial results

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

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

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

Table C-1: Financial results

	2018-19 Actual \$ 000	2019-20 Actual \$ 000	2020-21 Actual \$ 000	2020-21 Budget \$ 000
INCOME				
Financial audit fees	4 036	4 810	4 778	4 951
Appropriation – controlled recurrent payments	2 927	3 124	3 546	3 546
Other income	77	106	82	41
Total income	7 040	8 040	8 406	8 538
EXPENSES				
Employee expenses	4 834	6 392	6 541	7 025
Supplies and services	2 190	2 576	2 121	2 133
Depreciation	52	66	41	27
Total expenses	7 076	9 034	8 703	9 185
Operating (deficit)	(36)	(994)	(297)	(647)
Increase in the asset revaluation surplus	-	-	-	-
Total comprehensive (deficit)	(36)	(994)	(297)	(647)

Source: Audit Office's audited 2018-19, 2019-20 and 2020-21 financial statements and 2020-21 budget papers.

C.1.3 Income and expenses

C.1.3.1 Income compared to budget estimates

Total income (\$8.406 million) was lower than the budgeted amount (\$8.538 million) mainly due to *Financial audit fees* (\$4.778 million) being 3 percent lower than the budgeted amount of \$4.951 million.

Financial audit fees were lower mainly due to the actual stage of completion of audit work at 30 June 2021 being slightly less than budgeted.

C.1.3.2 Income compared to previous year's income

Total income (\$8.406 million) was higher than the previous year's amount (\$8.040 million) mainly due to the increase in *Financial audit fees* and additional *Appropriation* as a result of 2018-19 budget policy decision.

Financial audit fees were slightly lower due to differences in the stage of completion of audits at 30 June.

C.1.3.3 Expenses compared to budget estimates

Total expenses (\$8.703 million) were around 5 percent lower than the budget estimate (\$9.185 million) largely due to lower *Employee expenses*.

Employee expenses were \$0.484 million (7 percent) lower than the budget mainly due to the higher than budgeted take up of annual and long service leave by the staff and adjustments to the present value factor of long service leave and annual leave.

C.1.3.4 Expenses compared to previous year's expenses

Total expenses (\$8.703 million) in 2020-21 was lower than 2019-20 (\$9.034 million) mainly due to lower supplies and services expenses (\$0.455 million) which is partly offset by the increase in *Employee Expenses*.

Supplies and services expenses decreased by \$0.455 million (18 percent) largely as a result of the lower usage of contractors and consultants.

Employee expenses increased by \$0.149 million (2 percent) from 2019-20 mainly due to salary increases of around 3 percent under the *Administrative and Related Classifications Enterprise Agreement 2018-2021*.

C.1.4 Financial position

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

Table C-2: Current financial position

At 30 June 2021	Actual 2019 \$ 000	Actual 2020 \$ 000	Actual 2021 \$ 000	Budget 2021 \$ 000
Current assets	2 911	2 570	3 010	2 304
Current liabilities	1 395	1 901	2 669	2 312
Net current assets/(liabilities)	1 516	669	341	(8)
Current ratio	2.09	1.35	1.13	0.99

The Audit Office has sufficient assets to meet its current liabilities as there was \$1.13 in current assets available to meet each dollar of current liabilities at 30 June 2021. This position is better than the budget as the closing cash balance was higher than the anticipated cash balance as a result of better operating performance.

Table C-3: Long-term financial position

At 30 June 2021	Actual 2019 \$ 000	Actual 2020 \$ 000	Actual 2021 \$ 000	Budget 2021 \$ 000
Current assets	2 911	2 570	3 010	2 304
Total liabilities	1 558	2 174	2 886	2 532
Net long-term financial position	1 353	396	124	(228)
Ratio of current assets to total liabilities	1.87	1.18	1.04	0.91

Source: Audit Office's audited 2018-19, 2019-20 and 2020-21 financial statements and 2020-21 budget papers.

The long-term financial position at 30 June 2021 was stronger than the budget, but weaker compared to prior years. The Office plans to further improve its financial position over the next three years using a combination of measures, including additional appropriation, revisiting the costs to be recovered in financial audit fees from agencies and reviewing the Audit Office's overall operating costs.

Further information can be obtained from:

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

ACT AUDIT OFFICE

FINANCIAL STATEMENTS YEAR ENDED 30 JUNE 2021

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2021, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Statement of Cash Flows;

Statement of Appropriation; and

Notes to the Financial Statements;

are in agreement with the ACT Audit Office's accounts and records and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2021 and the financial position of the ACT Audit Office on that date.

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

Michael Harris
Auditor-General

17 January 2022

ACT AUDIT OFFICE
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2021

STATEMENT BY THE CHIEF OPERATING OFFICER

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2021, consisting of the:

Operating Statement;

Balance Sheet;

Statement of Changes in Equity;

Statement of Cash Flows;

Statement of Appropriation; and

Notes to the Financial Statements;

have been prepared in accordance with the Australian Accounting Standards, are in agreement with the ACT Audit Office's accounts and records, and fairly reflect the financial operations of the ACT Audit Office for the year ended 30 June 2021 and financial position of the ACT Audit Office on that date.



Caroline Smith
Chief Operating Officer, Professional Services

17 January 2022

Auditor's Report



**INDEPENDENT AUDITOR'S REPORT ON THE ACT AUDIT OFFICE FOR
THE YEAR ENDED 30 JUNE 2021**

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

Opinion

I have audited the financial statements of the ACT Audit Office for the year ended 30 June 2021 which comprise the operating statement, balance sheet, statement of changes in equity, statement of cash flows, statement of appropriation, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements:

- (i) present fairly, in all material respects, the ACT Audit Office's financial position as at 30 June 2021, and its financial performance and cash flows for the year then ended; and
- (ii) are presented in accordance with the *Financial Management Act 1996* and comply with Australian Accounting Standards.

Basis for opinion

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

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

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

Responsibilities for the financial statements

The Auditor-General is responsible for:

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

Auditor's responsibilities for the audit of the financial statements

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

Auditor's Report (Continued)



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

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

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

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

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



Adrian Kelly
Registered Company Auditor

Dated this 9th day of February 2022

ACT AUDIT OFFICE

OPERATING STATEMENT

YEAR ENDED 30 JUNE 2021

	Note No.	Actual 2020-21 \$ 000	Budget 2020-21 \$ 000	Actual 2019-20 \$ 000
INCOME				
Revenue				
Financial audit fees	2	4 778	4 951	4 810
Appropriation		3 546	3 546	3 124
Other income		82	41	106
Total revenue		8 406	8 538	8 040
Total income		8 406	8 538	8 040
EXPENSES				
Employee expenses	3	6 541	7 025	6 392
Supplies and services	4	2 121	2 133	2 576
Depreciation		41	27	66
Total expenses		8 703	9 185	9 034
Operating (deficit)		(297)	(647)	(994)
Total comprehensive (deficit)		(297)	(647)	(994)

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

ACT AUDIT OFFICE

BALANCE SHEET
AT 30 JUNE 2021

	Note No.	Actual 2021 \$ 000	Budget 2021 \$ 000	Actual 2020 \$ 000
ASSETS				
Current assets				
Cash	7	1 693	13	597
Receivables	6	1 271	2 251	1 930
Other assets		46	40	43
Total current assets		3 010	2 304	2 570
Non-current assets				
Office fit-out	5	-	-	18
Right-of-use Motor Vehicle		10	10	19
Total non-current assets		10	10	37
Total assets		3 020	2 314	2 607
LIABILITIES				
Current liabilities				
Payables	8	470	159	158
Contract Liabilities	9	365	-	-
Employee benefits	3	1 834	2 153	1 743
Total current liabilities		2 669	2 312	1 901
Non-current liabilities				
Employee benefits	3	206	210	169
Provision for make good		-	10	86
Motor Vehicle Lease		10	-	19
Total non-current liabilities		216	220	274
Total liabilities		2 885	2 532	2 175
NET ASSETS/(LIABILITIES)		135	(218)	432
EQUITY				
Accumulated funds		(149)	(502)	148
Asset revaluation surplus	5	284	284	284
TOTAL EQUITY		135	(218)	432

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

ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2021

<u>Year ended 30 June 2021</u>	Accumulated Funds Actual 2020-21 \$ 000	Asset Revaluation Surplus Actual 2020-21 \$ 000	Total Equity Actual 2020-21 \$ 000	Total Equity Budget 2020-21 \$ 000
Balance at 1 July 2020	148	284	432	429
<i>Comprehensive (deficit)</i>				
Operating (deficit)	(297)	-	(297)	(647)
Total comprehensive (deficit)	(297)	-	(297)	(647)
Balance at 30 June 2021	(149)	284	135	(218)

<u>Year ended 30 June 2020</u>	Accumulated Funds Actual 2019-20 \$ 000	Asset Revaluation Surplus Actual 2019-20 \$ 000	Total Equity Actual 2019-20 \$ 000	Total Equity Budget 2019-20 \$ 000
Balance at 1 July 2019	1 142	284	1 426	1 365
<i>Comprehensive (deficit)</i>				
Operating (deficit)	(994)	-	(994)	(83)
Total comprehensive (deficit)	(994)	-	(994)	(83)
Balance at 30 June 2020	148	284	432	1 282

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

ACT AUDIT OFFICE

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2021

	Note No.	Actual 2020-21 \$ 000	Budget 2020-21 \$ 000	Actual 2019-20 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
Financial audit fees		5 787	4 753	4 275
Appropriation		3 546	3 546	3 124
Other receipts		593	502	499
Total receipts from operating activities		9 926	8 801	7 898
PAYMENTS				
Employee payments		(6 421)	(6 569)	(5 777)
Payments for supplies and services		(1 924)	(2 553)	(2 557)
Other payments		(485)	(263)	(477)
Total payments from operating activities		(8 830)	(9 385)	(8 810)
Net cash inflows/(outflows) from operating activities	7	1 096	(584)	(912)
CASH FLOWS FROM FINANCING ACTIVITIES				
RECEIPTS				
Capital injections		-	-	-
Total receipts from investing activities		-	-	-
Net cash inflows/(outflows) from financing activities		-	-	-
Net increase/(decrease) in cash		1 096	(584)	(912)
Cash at the beginning of the reporting period		597	597	1 509
Cash at the end of the reporting period	7	1 693	13	597

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

ACT AUDIT OFFICE

STATEMENT OF APPROPRIATION

YEAR ENDED 30 JUNE 2021

	Budget Appropriation	Total Appropriated	Appropriation Drawn	Appropriation Drawn
	2020-21	2020-21	2020-21	2019-20
	\$ 000	\$ 000	\$ 000	\$ 000
Controlled recurrent payments	3 546	3 546	3 546	3 124
Capital injection	-	-	-	-
Total appropriation	3 546	3 546	3 546	3 124

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

Note

Controlled recurrent payments is recognised as revenue on receipt.

ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2021****Note Index****Page No.**

1.	About these financial statements	61
2.	Funding for the delivery of audit services	63
3.	The cost of delivering audit services	65
4.	Supplies and services expenses	70
5.	Assets available to support service delivery	72
6.	Receivables	75
7.	Cash	77
8.	Payables	79
9.	Contract Liabilities	80
10.	Financial instrument exposures	81
11.	Related parties	83

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 1. About these financial statements**Our objectives**

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

Basis of preparation

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

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

The financial statements comprise the following:

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 1. About these financial statements (Continued)

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

The financial statements:

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

The *Financial Management Act 1996* also requires the financial statements to include budget information to facilitate a comparison with the budget papers. Budget amounts disclosed in the financial statements are from the 2020-21 Budget Statements.

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 2. Funding for the delivery of audit services

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

Appropriation (Controlled recurrent payments and Capital injection)

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

Financial audit fees

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

	Actual 2020-21 \$ 000	Actual 2019-20 \$ 000
General Government Sector	3 125	3 206
Public Trading Enterprises	656	759
Other	997	845
Total financial audit fees	4 778	4 810

Financial audit fee accounting policy

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

Significant estimates and judgements

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 3. The cost of delivering audit services

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

Employee expenses

	Actual 2020-21 \$ 000	Actual 2019-20 \$ 000
Salaries	5 517	5 006
Superannuation	850	761
Annual leave	22	257
Long service leave	80	296
Fringe benefits tax	22	23
Motor vehicle running costs	(4)	10
Workers' compensation insurance premium	54	39
Total employee expenses	6 541	6 392

Variance explanation**Prior year**

Employee expenses increased by \$149,000 (2 percent) from 2019-20 mainly due to an increase in salaries by \$511,000 which is partially offset by the decrease in annual leave and long service leave as a result of higher take-up of these leave types.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

	Actual 2021 \$ 000	Actual 2020 \$ 000
Current - due at the reporting date		
Accrued salaries	124	98
Accrued other employee benefits	5	5
Annual leave	723	700
Long service leave	982	940
Sub-total	1 834	1 743
Non-current - not due at the reporting date		
Long service leave	206	168
Sub-total	206	168
Total employee benefits	2 040	1 911

Variance explanation**Prior year**

Employee benefits (\$2,040,000) increased by \$129,000 (7 percent) from 2019-20 (\$1,911,000) due mainly to higher long service leave provision and adjustment of the present value factor of long service leave.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

Annual and long service leave accounting policy

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

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

Assumptions

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. The rate used to estimate the present value of future payments for annual leave was 100.2 percent at 30 June 2021 (100.9 percent at 30 June 2020).

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

The rate used to estimate the present value of future payments for long-service leave was 108.7 percent at 30 June 2021 (113.6 percent at 30 June 2020).

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

The present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the timing or the estimated future cash flows. The judgements and assumptions included in the estimation of annual and long service leave liabilities were determined by the Australian government actuary in April 2019. The next actuarial review is expected to be undertaken by early 2022.

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

Classification as current and non-current liabilities

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

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

Superannuation

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

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 4. Supplies and services expenses

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

Nature and classification

	Actual 2020-21 \$ 000	Actual 2019-20 \$ 000
Contractors and consultants:		
Performance audit	132	379
Financial audit	1 075	1 146
Other	139	203
Sub-total	1 346	1 728
Accommodation lease	278	271
Information technology	144	143
Training	34	49
Printing	17	19
Human Resources	3	3
Recruitment and advertising costs	10	40
Electricity, gas and cleaning	15	43
Telephones	26	21
Travel	(1)	17
Library journals and subscriptions	36	29
Security	11	13
Audit fees	13	11
Services received free of charge	50	76
Other	139	113
Sub-total	775	848
Total supplies and services	2 121	2 576

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

Supplies and services expenses (\$2,121,000) were slightly lower than the budget estimate (\$2,133,000).

Prior year

Supplies and services expenses decreased by \$455,000 (18 percent) largely as a result of the lower usage of contractors and consultants as a cost-saving measure.

Commitments to contractors (inclusive of GST)

	Actual 2021 \$ 000	Actual 2020 \$ 000
Not later than one year	792	837
Later than one year and not later than five years	1 607	149
Total commitments to contractors	2 399	986

Variance explanation**Prior year**

The increase in commitments to contractors as at 30 June 2021 reflects new contracts committed in 2020-21.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 5. Assets available to support service delivery

The Office's main asset is a Right-of-use Motor Vehicle.

	Actual 2021 \$ 000	Actual 2020 \$ 000
Office fit-out (at fair value)	176	176
Less: Accumulated depreciation	(176)	(158)
Total Office fit-out	-	18
Right-of-use Motor Vehicle at cost	45	30
Less: Accumulated depreciation	(35)	(11)
Total Right-of-use Motor Vehicle at cost	10	19

Office fit-out**Accounting policy**

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

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

Reconciliation of the Asset Revaluation Surplus	Actual 2021 \$ 000	Actual 2020 \$ 000
Balance at the beginning of the reporting period	284	284
Revaluation increment as a result of an increase in the estimated fair value of the Office fit-out	-	-
Balance at the end of the reporting period	284	284

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

Impairment accounting policy

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

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

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

Provision for make good accounting policy

The Audit Office relocated to a temporary location on 12 October 2020 and will move to a new permanent location by the end of 2021. This move date is dependent on the new location's construction completion date. The Audit Office will recognise a liability for the provision for make-good as required for the new permanent location.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 5. Assets available to support service delivery (Continued)**Right-of-use Motor Vehicle****Accounting and depreciation policy**

The right-of-use motor vehicle is measured at cost and depreciated from the commencement date to its useful life or the end of the lease term, whichever is shorter period. The remaining lease term is 8 months.

Impairment accounting policy

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

Commitments

Commitments for information technology equipment and accommodation (including GST) at 30 June 2021 are as follows.

	Actual 2021 \$ 000	Actual 2020 \$ 000
Not later than one year	41	36
Later than one year and not later than five years	23	53
Later than five years	10	10
Total other commitments	74	99

Variance explanation**Prior year**

The decrease in the commitments reflect payments made during 2020-21.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 6. Receivables

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

Receivables by class of debtors was as follows:

	Actual 2021 \$ 000	Actual 2020 \$ 000
Invoiced financial audit debtors	1 211	39
Accrued financial audit income	60	1 881
Sub-total	1 271	1 920
Goods and Services Tax - net receivable	-	10
Sub-total	-	-
Total receivables	1 271	1 930

Variance explanation**Budget and Prior year**

Receivables of \$1,271,000 were lower than the budget estimate of \$2,251,000 by \$980,000 (43 percent) and \$659,000 (34 percent) lower than 2019-20 mainly due to change in the billing cycle of the auditees. This has also resulted in a change in the split between the categories of the receivables.

No allowance for impairment at 30 June 2021 was recorded because all amounts owed to the Audit Office for financial audit fees are expected to be collected.

ACT AUDIT OFFICE**Notes to the Financial Statements****Year Ended 30 June 2021****Note 6. Receivables (Continued)****Receivables accounting policy**

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

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 7. Cash

	Actual 2021 \$ 000	Actual 2020 \$ 000
Cash at bank	1 693	597
Cash as per Statement of Cash Flows and Balance Sheet	1 693	597

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

Cash at bank earned an average floating interest rate of 1.0 percent in 2020-21 (1.5 percent in 2019-20).

Variance explanation**Budget**

Total cash was \$1,680,000 higher than the budget estimate of \$13,000. This was mainly due to the better operating performance and change in billing cycle of the auditees.

Prior year

Total cash at the end of 2020-21 was higher than prior year by \$1,096,000 (184 percent) mainly to the better operating performance, change in billing cycle and increase in payables by \$312,000.

Accounting policy

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 7. Cash (Continued)

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

	Actual 2020-21 \$ 000	Actual 2019-20 \$ 000
Operating (deficit)	(297)	(994)
Non-cash item		
Office fit-out depreciation	-	55
Interest on MV Lease	(0)	1
Changes in assets and liabilities		
(Increase)/decrease in receivables	659	(535)
(Increase)/decrease in other assets	15	(27)
Increase/(decrease) in payables	312	(26)
Increase/(decrease) in contract liabilities	365	-
Increase/(decrease) in employee benefits	128	614
Increase/(decrease) in other liabilities	(86)	-
Net cash inflows/(outflows) from operating activities	1 096	(912)

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 8. Payables

	Actual 2021 \$ 000	Actual 2020 \$ 000
Creditors and accruals	470	158
Total payables	470	158

Accounting policy

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

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

ACT Property Group rental charges invoices for the Office's temporary accommodation at 5 Constitution Avenue were overdue at 30 June 2021 because the Office disputes the charges and is awaiting a final decision on this matter.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 9. Contract liabilities

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

Variance explanation**Budget**

No budget for contract liabilities was anticipated for 2020-21.

Prior year

Contract liabilities as at 30 June 2021 relates to financial audit fees that have been received or invoiced but the Audit Office have yet to satisfy its performance obligation to complete the audit work. No contract liabilities existed at the end of the prior year as the change in billing cycle was first implemented in 2021.

Accounting policy

Contract liabilities relate to financial audit fees consideration received in advance or invoiced in advance but not yet received from auditees where the Audit Office have yet to satisfy its performance obligation to complete the audit work. These contract liabilities will be recognised as revenue once the Audit Office has satisfied its performance obligation to complete the audit work. The Audit Office expects all of the contract liabilities at 30 June 2021 will be recognised as revenue during the next reporting period.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 10. Financial instrument exposures

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

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

	Note No.	Carrying Amount 2021 \$ 000	Fair Value 2021 \$ 000	Carrying Amount 2020 \$ 000	Fair Value 2020 \$ 000
Financial Assets					
Cash	7	1 693	1 693	597	597
Receivables	6	1 271	1 271	1 930	1 930
Total financial assets		2 964	2 964	2 527	2 527
Financial Liabilities					
Payables	8	470	470	158	158
Total financial liabilities		470	470	158	158
Net financial assets		2 494	2 494	2 369	2 369

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

Interest rate risk exposure

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

The Audit Office is exposed to movements in the amounts of interest earned on cash. However, as operating cash flows are not significantly dependant on interest earned, there is no significant exposure. Weighted average interest rate at 30 June 2021 was 1.0 percent and 1.5 percent at 30 June 2020. As the rate has not moved significantly and did not vary during the year, a sensitivity analysis of the interest-rate risk has not been performed.

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 10. Financial instrument exposures (Continued)

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

Credit risk exposure

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

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

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

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

Liquidity risk exposure

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

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

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

Note 11. Related parties

Key management personnel

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

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

2019-20		
Key Management Personnel	Position	Period in Position
Michael Harris	Auditor-General	1 July 2019 to 30 June 2020
Ajay Sharma	Assistant Auditor-General, Financial Audit	1 July 2019 to 30 June 2020
Brett Stanton	Assistant Auditor-General, Performance Audit	1 July 2019 to 30 June 2020
Matthew Bowden	Acting Assistant Auditor-General, Performance Audit	23 September 2019 to 13 November 2019
Caroline Smith	Senior Director, Professional Services	1 July 2019 to 30 June 2020
Erika Hudleston	Acting Senior Director, Professional Services	9 June 2020 to 30 June 2020

ACT AUDIT OFFICE

Notes to the Financial Statements

Year Ended 30 June 2021

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

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

	Actual 2020-21 \$ 000	Actual 2019-20 \$ 000
Short-term employee benefits	979	1 029
Post employment benefits	194	177
Other long-term benefits	137	105
Termination benefits	-	-
Remuneration of key management personnel	1 310	1 311

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