

ACT AUDITOR-GENERAL'S REPORT

ANNUAL REPORT 2015-16

REPORT NO. 8 / 2016

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ACT Audit Office

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

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

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

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

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

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

Dear Madam Speaker

The Annual Report of the ACT Audit Office for the year ended 30 June 2016 is attached. It has been prepared to fulfil the requirements of section 6(2)(b) of the *Annual Report (Government Agencies) Act 2004* relating to Officers of the Legislative Assembly.

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

I certify that this Annual Report is an honest and accurate account of the management of the Audit Office during the period from 1 July 2015 to 30 June 2016.

I certify that fraud prevention has been managed in accordance with *Public Sector Management Standards, Part 2*.

Section 15 of the *Annual Reports (Government Agencies) Act 2004* requires that you present a copy of the Annual Report to the Legislative Assembly within 15 weeks after the end of the reporting year or if the 15 week period coincides with all or part of the pre-election period for a general election of members of the Assembly then on the 2nd sitting day after the election is held.

Yours sincerely



Dr Maxine Cooper
Auditor-General
5 October 2016

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List of abbreviations and glossary

ACAG	Australasian Council of Auditors-General
A-G Act	<i>Auditor-General Act 1996</i>
Assembly	Legislative Assembly for the ACT
ASPIRE	Auditing Systems by Planning, Implementation, Reporting and Evaluation
Audit Office	ACT Audit Office
Auditees	ACT Government agencies and other entities subject to audit by the Auditor-General
CPSU	Community and Public Sector Union
CO ₂	Carbon dioxide
CO ₂ -e	Carbon dioxide equivalent
ESD	Ecologically sustainable development
ESP	Enterprise sustainability platform
FTE	Full-time equivalent(s)
Foi	Freedom of information
Kwh	Kilowatt-hour
MLAs	Members of the Legislative Assembly
PAC	Public Accounts Committee
PAMPPr	Performance Audit Methods and Practices
PID	Public interest disclosure
PID Act	<i>Public Interest Disclosure Act 2012</i>
PASAI	Pacific Association of Supreme Audit Institutions
SERBIR	Senior Executive Responsible for Business Integrity Risk
Strategic Plan	ACT Audit Office Strategic Plan 2016-2019

A PERFORMANCE REPORTING

A.1 Organisational overview

The Auditor-General is an Officer of the Legislative Assembly of the ACT under the *Auditor-General Act 1996* (A-G Act). While this emphasises the Auditor-General's connection with the Legislative Assembly, the Auditor-General is an independent statutory position.

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

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

A.1.1 Vision, role and values

The Audit Office's *Strategic Plan 2016-2019* (Strategic Plan) sets out the vision, role, and values of the Audit Office and also defines the Audit Office's objectives. It is available on the Audit Office's website (www.audit.act.gov.au).

The vision is to have 'an accountable and highly performing ACT Public Sector' and its role is to:

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

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

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

A: Performance reporting

- *respect* – we seek to understand and be trusted by our stakeholders; and
- *learning and innovation* – we strive to realise our full potential.

While the Audit Office’s core values are similar to those of the ACT Public Service, a difference relates to the ACT Public Service value of *collaboration*. The Audit Office also places significant value on collaborative approaches in undertaking its work, where this is possible. However, in the Audit Office context, it is necessary to give a higher priority to the core value of *independence*.

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

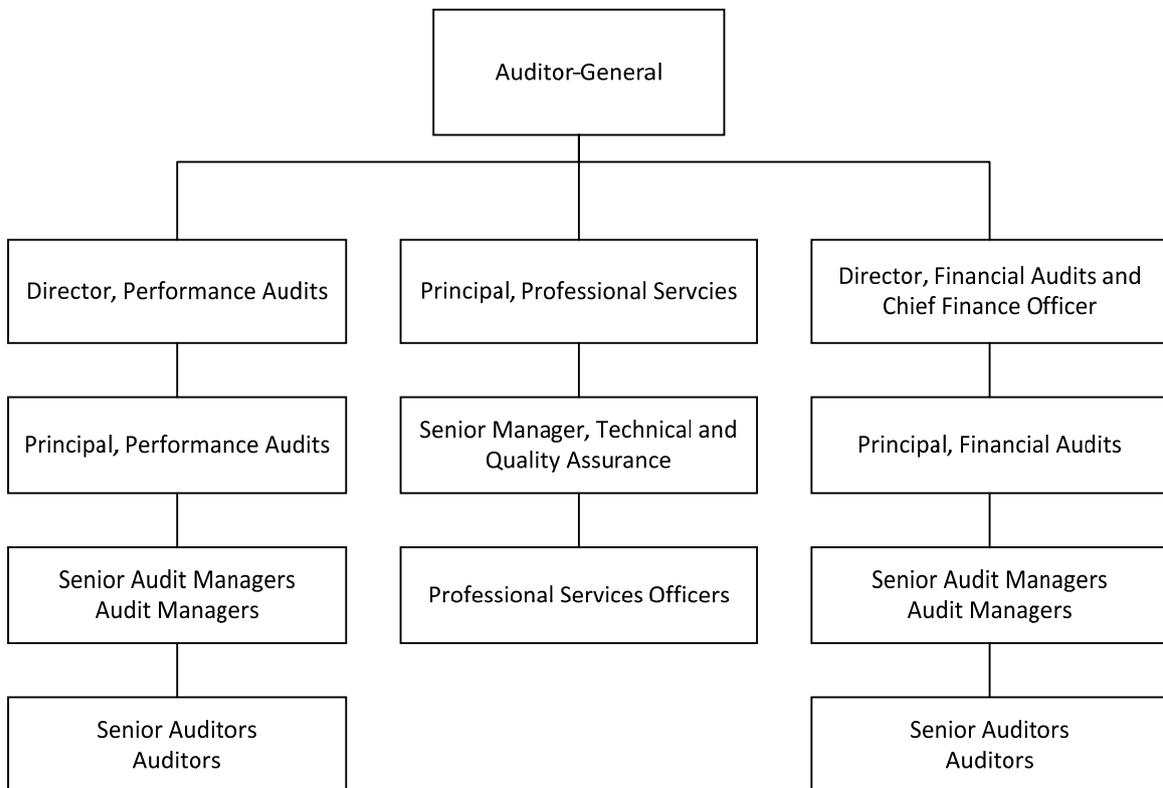
A.1.2 Organisation

The Audit Office consists of the following operational areas:

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

The following figure shows the organisational structure of the Audit Office for 2015-16.

Figure A.1: Organisational structure at 30 June 2016



Source: Audit Office records

The Audit Office's Executive Officers during 2015-16 were:

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

Further information on these and other key management personnel is provided in the audited 2015-16 financial statements. Refer to Note 27: 'Related Party Disclosures' on pages 144 to 147.

A.1.3 Performance and outlook

A.1.3.1 The Strategic Review

The *Auditor-General Act 1996* requires that a strategic review of the Auditor-General be undertaken once in each term of the ACT Legislative Assembly. The Auditor-General was subject to a strategic review in 2015-16. The strategic review was undertaken by Mr Des Pearson AO, a former Auditor-General of Victoria and Western Australia, who was engaged by the Speaker of the Assembly.

The objective of the review was to provide an independent opinion on:

- (i) whether the ACT Audit Office is achieving its legislative objectives effectively, and doing so efficiently and in compliance with the *Auditor-General Act 1996* and the relevant professional audit and accounting standards (performance and financial audits);
- (ii) the extent to which the legislative mandate strengthens and safeguards the independence of the Auditor-General;
- (iii) the extent to which the legislative mandate supports the work of the Auditor-General in the contemporary public sector environment; and
- (iv) any other aspects as determined by the Committee.

Mr Pearson stated in his report¹ that:

In my opinion, in all material respects

- (i) the ACT Audit Office is achieving its legislative objectives effectively, and doing so efficiently and in compliance with the *Auditor-General Act 1996* and the relevant professional audit and accounting standards;

¹ Report titled 'Strategic Review of the ACT Auditor-General' (26 May 2016).

- (ii) the legislative mandate is adequate to strengthen and safeguard the independence of the ACT Auditor-General; and
- (iii) the legislative mandate adequately supports the work of the ACT Auditor-General in the contemporary public sector environment.

Mr Pearson also made the following comments:

The ACT Auditor-General and her staff are generally held in high regard by stakeholders and all indications are that they are operating efficiently and effectively in accordance with the provisions of the *Auditor-General Act 1996*.

It was evident from my review that the ACT Auditor-General and her staff are discharging their responsibilities diligently and conscientiously and have embraced the recommendations of previous reviews. They have also built on these reviews by commissioning complementary, targeted reviews. The cumulative effect is that the ACT Audit Office is, within the resources available, operating efficiently and effectively in delivering on the mandate provided.

The Auditor-General, Dr Maxine Cooper, in her response stated:

Mr Pearson's conclusion that the ACT Audit Office is generally highly regarded by stakeholders and operating efficiently and effectively in discharging its responsibilities in accordance with the *Auditor-General Act 1996* and professional auditing standards is welcomed. It is reassuring to have it independently determined that the ACT Audit Office is meeting its responsibilities in an appropriate manner.

I also welcome and thank Mr Pearson for his recommendations. The ACT Audit Office's responses to these recommendations are included in the report. Although most have been agreed, some have been agreed in part or agreed in principle. Accordingly, all recommendations will guide improvements the ACT Audit Office intends to make. The ACT Audit Office will give priority to implementing the improvements.

While the findings of the strategic review were favourable, recommendations were provided which will assist the Audit Office to further improve its performance. Progress in implementing these recommendations is reported in Section A.3.1 on pages 38 to 45.

Mr Pearson's report is available on the Audit Office website at www.audit.act.gov.au.

A.1.3.2 Independence

The A-G Act provides, among other things, a statutory mandate for financial and performance audits of ACT public sector agencies. Provisions in the A-G Act facilitate the effective conduct of audits by supporting the Auditor-General's independence including through providing that the Auditor-General is not subject to direction in the exercise of the Auditor-General's functions. Furthermore, the Audit Office staff are not subject to direction from anyone other than the Auditor-General or another member of the Audit Office authorised by the Auditor-General.

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

A.1.3.3 Integrity

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

The Audit Office's strong quality assurance and quality control processes provide assurance on the overall integrity and governance of the Audit Office, including the financial and performance audits. There is also a program of internal audits governed by the Audit and Review Committee which assists in strengthening the governance of the Audit Office. In addition to senior officers from Performance Audit and Financial Audit, the Committee's membership includes two external members, who are officers from the Commonwealth Government, with one of these external members appointed as the Chair of the Committee.

In addition to the above, the Audit Office has a continuing emphasis on risk management, which is covered in Part A.4 (page 48) of this report. One of the key risks in this area is the quality of its audits. To address this risk, the Audit Office routinely undertakes a self-assessment against the requirements of the quality control standards issued by the Accounting Professional and Ethical Standards Board, and the Auditing and Assurance Standards Board. The Audit Office conducts quality assurance reviews of its financial and performance audit work every year in accordance with its *Quality Control and Assurance Policy*. The recommended improvements relating to performance and financial audits are discussed under Sections A.2.3.5 on pages 27 and 28 and A.2.4.9 on page 37, respectively.

A.1.3.4 Professionalism

The value of professionalism includes a commitment for staff to fulfil obligations. This includes delivery of the program of financial and performance audits. The details on the delivery of the program are outlined in Section A.2 on pages 13 to 38.

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

In 2015-16, the Auditor-General continued to be a member of the Australasian Council of Auditors-General (ACAG). ACAG is a forum for all Auditors-General in Australia, and some from the Pacific region, to share information. It fosters performance improvements through supporting targeted projects, such as mutual quality assurance reviews and benchmarking. ACAG sub-committees focused on financial audits, performance audits and technical and quality assurance provide opportunities for executives and senior audit staff to share information and work together on key issues relevant to audit offices.

A.1.3.5 Respect

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

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

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

All MLA's are contacted each year to gauge their opinion on the services offered by the Audit Office. MLA's can provide their feedback to the Auditor-General at any time.

From time to time the Auditor-General makes presentations designed to improve accountability and public sector performance. For example in November 2015, the Auditor-General gave a presentation to the Health Auditors' Conference.

Members of the community make representations to the Audit Office, some of which are public interest disclosures under the *Public Interest Disclosure Act 2012*. In 2015-16, the Audit Office received 32 representations covering a wide range of issues of concern to the ACT community and four public interest disclosures. The Audit Office expects to continue to receive a significant number of representations and public interest disclosures. Sometimes, representations or public interest disclosures become an initiating factor in the decision to conduct a performance audit or bring one forward that may be on the forward program.

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

The Audit Office conducted two information seminars for auditees. One on financial audits on 29 April 2016 and another on performance audits on 16 June 2016. Both seminars were well represented by staff from the agencies. Additionally, briefings are provided to auditees when requested.

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

As reported in the Audit Office's Statement of Performance, the overall results of the 2016 staff survey were positive with 87 percent (75 percent last year) of staff advising that 'overall I am satisfied with my job'.

A.1.3.6 Innovation and learning

As discussed in Section A.8.3 'Learning and development' on page 56, the Audit Office continues to give a high priority to improving staff capabilities through its learning and development program. Under this program, staff are trained to meet technical requirements (for auditing, accounting, reporting and the use of information technology) as well as developing their knowledge of public sector issues, management and improving their communication skills. The Audit Office continued to support staff studying for tertiary and professional qualifications. The Audit Office continuously seeks to achieve efficiencies in its financial and performance audit processes.

In 2015-16, the Audit Office continued its use of subject matter experts, when appropriate, to help complete the financial audit and performance audit program.

A.1.4 Internal accountability

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

A.1.4.1 Executive Committee

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

Executive members of the Committee at 30 June 2016 were:

- Auditor-General: Dr Maxine Cooper who is responsible for carrying out functions under the A-G Act, including promoting public accountability and undertaking audits;
- Director, Financial Audits and Chief Finance Officer: Mr Bernie Sheville, who is responsible for managing Financial Audit operations, also fulfils the role of Chief Finance Officer; and
- Director, Performance Audits: Mr Brett Stanton who is responsible for managing Performance Audit operations. This includes management of performance audits, representations and public interest disclosures received by the Audit Office.

The Audit Office’s organisational structure is shown on page 4 in Figure A.1.

A.1.4.2 Internal committees and management groups

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

Table A.1: Internal committees and management groups

Committee name	Committee purpose	Committee membership in 2015-16
Executive Committee Generally meets weekly	The Executive Committee is the senior group responsible for the governance of the Audit Office. The Committee considers strategic and operational matters, monitors the Audit Office’s performance and determines the strategic and operational priorities for the Office.	Chaired by Auditor-General Director, Financial Audits and Chief Finance Officer Director, Performance Audits Principal, Financial Audits Principal, Performance Audits Principal, Professional Services Executive Officer provides secretariat services

Committee name	Committee purpose	Committee membership in 2015-16
<p>Management Committee</p> <p>Generally meets monthly</p>	<p>Discusses the Audit Office's activities, reports on progress against targets and considers audit and corporate issues requiring attention.</p>	<p>Chaired by Principal, Professional Services Auditor-General</p> <p>Directors, Principals, Senior Managers and Managers</p> <p>Staff representatives</p> <p>Executive Officer provides secretariat services</p>
<p>Audit and Review Committee</p> <p>Generally meets quarterly</p>	<p>The Committee reports directly to the Auditor-General.</p> <p>The Committee provides assurance that the Audit Office's governance, internal audit and risk management arrangements are adequate.</p> <p>The Committee considers the Audit Office's financial statements and statement of performance and monitors the implementation of relevant recommendations from internal audit reports, reports from the Risk Manager, the Audit Office's performance audit reports and Assembly Committees' reports.</p>	<p>External Chair</p> <p>External member</p> <p>Chief Audit Executive (Principal, Professional Services)</p> <p>Two senior audit staff members - one from Performance Audit and the other from Financial Audit</p> <p>The Auditor-General has a standing invitation to attend the meeting as an observer</p> <p>The Finance Officer provides secretariat services</p>
<p>Agency Security Committee</p> <p>Meets biannually</p>	<p>The Committee monitors key protective security risks and provides oversight of the Audit Office's protective security practices.</p> <p>The Committee considers reports from the Risk Manager and Security Adviser.</p>	<p>Executive Committee</p> <p>Security Adviser</p>
<p>Office Consultative Committee</p> <p>Meets at least four times annually or more frequently as required</p>	<p>The Committee is a formal forum for liaison between the Office Executive and staff in the development and review of organisational policies and work practices. Through it, staff have input to such policies and practices.</p>	<p>Three staff representatives</p> <p>One representative from the Executive Committee</p> <p>One representative from the Community and Public Sector Union (CPSU)</p>
<p>Financial Audit Managers meeting</p> <p>Generally meets fortnightly or as required</p>	<p>Considers strategic and operational matters relating to financial audit activities.</p>	<p>Chaired by Director, Financial Audits</p> <p>Principal, Financial Audits</p> <p>Senior Audit Managers, Financial Audits</p>
<p>Financial Audit forum</p> <p>Generally meets monthly</p>	<p>Attended by financial audit staff, it considers operational and technical issues affecting financial audit activities.</p>	<p>Chaired by various financial audit staff</p> <p>Financial audit staff</p>

Committee name	Committee purpose	Committee membership in 2015-16
Performance Audit Managers meeting Generally meets fortnightly or as required	Considers strategic and operational issues affecting the performance audit function.	Chaired by Director, Performance Audits Senior Audit Managers, Performance Audits
Performance Audit team meeting Generally meets monthly or as required	Considers operational issues affecting the performance audit function.	Chaired by Director, Performance Audits Performance audit staff
Professional Services team meeting Generally meets fortnightly or as required	Considers strategic and operational issues affecting the Professional Services function.	Chaired by Principal, Professional Services Professional Services staff
Staff meetings Generally monthly	A forum in which to share information and discuss Audit Office issues with all staff.	Chaired by a staff member All staff

Source: Audit Office records

A.1.4.3 Key internal accountability mechanisms

An important internal accountability mechanism for the Audit Office is its Audit and Review Committee. This Committee’s membership consists of an independent (external) Chair, an external member and two senior Office staff. The Committee provides assurance and assistance to the Auditor-General on the Audit Office’s risk, control and compliance framework and its external accountability responsibilities. The activities of the Audit and Review Committee are reported on pages 49 to 51 in Section A.5.

The Audit Office has internal review processes that provide assurance that financial and performance audits are performed in accordance with the relevant auditing standards and better practices. The review processes for performance and financial audits are discussed in on Sections A.2.3.5 (pages 27 and 28) and A.2.4.9 (page 37), respectively.

A.1.4.4 Strategic and organisational planning

The Audit Office's future corporate directions, planned outcomes and objectives are set out in the *Strategic Plan 2016-2019* (Strategic Plan). The Strategic Plan is reviewed and updated annually at the Audit Office's planning day, providing an opportunity for staff to participate in identifying and setting priorities for the Audit Office in the coming years. It also provides a means of ensuring that management and staff share a common view about the Audit Office's objectives and areas of responsibility.

The Strategic Plan is supported by individual action plans for financial audit, performance audit and professional services activities. These plans identify and assign responsibility for specific tasks and timeframes for completion, and are monitored regularly by the Executive Committee.

A.1.4.5 Executive remuneration

Executive remuneration is determined by the ACT Remuneration Tribunal and under other relevant laws and instruments, such as the *Public Sector Management Act 1994* and the *Public Sector Management Standards 2006*. The Tribunal's Determinations are available from its website at <http://www.remunerationtribunal.act.gov.au/>

Information on the remuneration of executives in the Audit Office is provided in 'Note 27. Related Party Disclosures' in Section B.2 'Financial statements' (pages 144 to 147).

Further information can be obtained from:

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

A.2.1 Audit Office's objectives

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

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

While there is no legislative requirement to do so, the Audit Office:

- advises the Speaker and Public Accounts Committee 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 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 elements of the Audit Office's Strategic Plan.

A.2.2 Financial results

The Audit Office's operating deficit (\$82 000) was less the budgeted operating deficit (\$100 000) with total income and total expenses being slightly less than budgeted amounts.

Income in 2015-16 (\$6.670 million) consisted of financial audit fees (\$3.719 million) and appropriation (\$2.759 million) and other income (\$192 000). Other income consisted of interest income, workers' compensation insurance recoveries and legal services received free of charge from the ACT Government Solicitor's Office.

Expenses in 2015-16 (\$6.751 million) largely consisted of employee expenses (\$4.686 million) and supplies and services costs (\$2.055 million).

The Audit Office estimates that it will continue to incur small operating deficits and this is consistent with the cost recovery nature of its operations. The Audit Office has sufficient funds to cover any small deficits.

The Audit Office's short and long-term financial positions at 30 June 2016 were sound and are expected to remain so.

Further information on the Audit Office's financial results is provided in Section B1 on pages 71 to 78.

A.2.3 Performance audits

Performance auditing is a primary function of the Audit Office. The objectives of a performance audit are twofold: to provide the Legislative Assembly with an independent assessment of the quality of management of public resources; and to identify and promote better management practices. The Audit Office's performance audit reports identify areas where public services could be improved. They may include recommendations that address identified areas of concern.

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

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

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

A.2.3.1 Meeting targets

Table A.2: Accountability indicators for performance audits

Accountability indicators	2014-15 Actual	2015-16 Actual	2015-16 Target
Number of performance audit reports presented to the Legislative Assembly	7	7	7
Average period of completion of audits	9 months	9.7 months	7 months
Percentage of agencies satisfied with performance audits	100%	96%	95%
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	83%	91%	80%

Source: Audit Office's Statement of Performance in Section B5 on pages 149 to 173.

Strategic Review of the ACT Auditor-General

In the report of the *2016 Strategic Review of the Auditor-General*, Mr Des Pearson stated:

Overall the performance audit team is doing very well to deliver a commendable program of performance audits.

Performance audit staff are professionally committed and the strategy of routinely using contractors to provide operational viability and specialist support to teams is working.

Findings and recommendations relating to performance audit from the strategic review are discussed in Section A.3.1 on pages 38 and 45.

A.2.3.2 Performance audits tabled in 2015-16

The Audit Office completed seven performance audit reports in 2015-16 which were tabled in the Legislative Assembly:

1. Public Transport: The Frequent Network (Report No. 9/2015);
2. Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016);
3. Maintenance of Public Housing (Report No. 2/2016);
4. ACT Policing Arrangement (Report No. 3/2016);
5. The Management of the Financial Arrangements for the Delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (Report No. 4/2016);
6. Initiation of the Light Rail Project (Report No. 5/2016); and
7. Management and Administration of Credit Cards by ACT Government entities (Report No. 6/2016).

With the exception of the *Calvary Public Hospital Financial and Performance Reporting and Management* audit (Report No. 1/2016), all audits had been identified in the forward annual performance audit program. The *Calvary Public Hospital Financial and Performance Reporting and Management* audit (Report No. 1/2016) was added to the annual performance audit program following the initial identification of issues through the Audit Office's annual financial audit of the Health Directorate's financial statements.

Report No. 9 / 2015 Public Transport: The Frequent Network

The Frequent Network is a key public transport concept articulated in the ACT Government's overarching transport policy: *Transport for Canberra: Transport for a Sustainable City (2012-2031)*. The Auditor-General examined arrangements concerning the delivery of the public transport Frequent Network, including supporting governance and administration, planning, and review mechanisms.

The Auditor-General concluded that:

The ACT Government's policy on public transport is clearly expressed in its long-term overall transport policy; Transport for Canberra: Transport for a Sustainable City 2012-2031 (Transport for Canberra). This provides transparency and sets the direction for planning and implementation, including the delivery of the Frequent Network as 'the backbone of an integrated transport system'. However, the effective delivery of the Frequent Network is at risk. Actions for its implementation are not being progressed in a timely manner and some are inadequate. Furthermore, public reporting on the implementation of the Frequent Network, through the Transport for Canberra Report Card (September 2014), is inaccurate in relation to some actions. It has also varied from the reporting framework set out in Transport for Canberra.

It is important that the Frequent Network corridors be embedded in relevant planning documents; the Territory Plan and National Capital Plan to provide location certainty. This is particularly pertinent given that buses are likely to be the dominant mode serving the corridors now and in the foreseeable future, and bus routes can be easily varied. Providing certainty is important to foster and guide community and other stakeholders' investments, to progress the implementation of both the Frequent Network and Transport for Canberra overall.

Embedding the Frequent Network corridors in key planning documents has been delayed due to the finalisation of the Light Rail Master Plan, which was released for public comment in late October 2015. While the light rail service will become part of the Frequent Network it is only covering a limited part of this network (Gungahlin to Civic, at least in the immediate future). Accordingly, embedding other corridors in key planning documents should be progressed as a high priority.

Key operational risks for the Frequent Network include the availability of sufficient suitable buses and depots. Approved plans only provide for the acquisition of replacement vehicles for ageing buses already in service. A series of recent reviews has highlighted the need for a significant number of buses to be added to the ACTION fleet, and for additional depots, if the goals of the Frequent Network and the increased public transport journey to work mode share targets set out in Transport for Canberra are to be achieved. Correcting the shortfall in buses and depots needs to be addressed.

Another operational risk is the availability of bus drivers to allow the bus service to be managed in a flexible manner to respond to demand needs. Transport for Canberra recognised this and identified as a specific Action (Public transport - Action 9) the inclusion of a 'seven day network in ACTION enterprise agreement in 2013.' This was not achieved and the Fair Work Commission approved the current enterprise agreement in May 2014 with a nominal expiry date of 30 June 2017. Ways to address this operational staffing risk need to be identified so that the Frequent Network can be efficiently delivered.

Cross-agency communication, governance and risk management arrangements for the implementation of the Frequent Network are inadequate to support its implementation as planned. Furthermore, the integration of activities by the various agencies would

benefit from Transport for Canberra being supported by a short-term (e.g. 5 year) whole-of-government implementation programming plan. This plan could guide the development of individual agencies' annual budget bids so that these were appropriately timed and integrated.

There has not been a comprehensive household travel to work survey undertaken for the ACT since 1997. This data is fundamental for planning and evaluating actions that are implemented, including those related to modal shift. Such a survey would provide more detailed information than that available from the five-yearly Australian Bureau of Statistics Census of Population Housing. Data that is available indicates that modal shift targets are not being achieved and there is a significant risk that the Transport for Canberra initiatives, including the Frequent Network, may not be sufficient to facilitate their achievement over the planning period to 2031.

ACTION does not have data on the operating costs of the Frequent Network, even though data is available for the entire bus network. Once the light rail service (Capital Metro) is integrated into the Frequent Network, the collection and segmentation of data according to modes would facilitate long-term monitoring and evaluation to guide future transport initiatives. Furthermore, the light rail was not factored into the 2010 cost benefit analysis for the Frequent Network, which indicated that for every \$1 invested in the Frequent Network \$3.59 in benefits could be realised. Now that a light rail is to become part of the Frequent Network an updated analysis would provide more accurate information for decision-makers and the community.

Seven recommendations were made.

Report No. 1 / 2016 Calvary Public Hospital Financial and Performance Reporting and Management

The Calvary Public Hospital at Bruce is one of two public hospitals in the ACT. It is operated by Calvary Health ACT Ltd, a subsidiary entity of the Little Company of Mary Health Care Ltd. The Auditor-General considered the financial and performance management and reporting arrangements for the Calvary Public Hospital at Bruce, with a specific focus on the 2013-14 financial year.

The Auditor-General concluded that:

In late 2012-13 and throughout 2013-14 inappropriate financial practices were undertaken with respect to the recording and reporting of the finances of the public hospital services provided by Calvary Health Care ACT Ltd. During this period inaccurate information was entered into the Little Company of Mary Health Care Ltd's financial system, Finance One at the Calvary Public Hospital at Bruce. This, and the manipulation of financial and other reports, resulted in the ACT Health Directorate and the Little Company of Mary Health Care Ltd receiving misleading information that presented a better financial result than was occurring.

At the end of the 2013-14 financial year, in preparing the financial statements for that year, receivables (monies expected to be collected) from the ACT Government of \$8.892 million were falsely reported. This enabled Calvary Health Care ACT Ltd to report a surplus for 2013-14. The subsequent removal of falsely reported receivables contributed to Calvary Health Care ACT Ltd's Public Hospital 2013-14 financial position being a \$9.451 million deficit rather than a surplus of \$1.925 million. Although the Little Company of Mary Health Care Ltd absorbed the deficit with no financial loss to the ACT Government and no misappropriation of funding was identified, it is a concern that neither the Little Company of Mary Health Care Ltd nor the ACT Government had an accurate understanding of the 2013-14 year financial position of Calvary Health Care ACT Ltd's Public Hospital until October 2014.

A small number of Calvary Health Care ACT Ltd executives and staff were involved in undertaking the inappropriate financial practices. Other staff and executives also at Calvary Health Care ACT Ltd advised the Audit Office that they had concerns at the time but did not report them. The *Public Sector Management Act 1994* obliges Calvary Public Hospital staff to report inappropriate behaviour. Further examination of how Calvary Public Hospital staff are employed is warranted, including consideration of their responsibilities under the *Public Sector Management Act 1994* and associated enterprise agreements, and how Calvary Health Care ACT Ltd and the Little Company of Mary Health Care Ltd provide support to staff to meet their responsibilities.

The inappropriate financial practices occurred in the context of the Calvary Network Agreement not being implemented effectively. Requirements in the Calvary Network Agreement relating to the provision of funding, including the implementation of a new activity-based funding model and a clinical costing system, both the responsibility of the ACT Health Directorate to develop, have not been met. Arrangements for the provision and oversight of funding for Calvary Public Hospital were inadequately implemented, coordinated and communicated thereby contributing to a workplace in which inappropriate financial practices were less likely to be challenged.

While respecting that improvements have been made in response to the events of 2013-14, given the findings of this audit and the significance of the public hospital services provided by Calvary Health Care ACT Ltd, it would be prudent to examine if the Calvary Network Agreement is the most appropriate mechanism for facilitating the delivery of services at Calvary Public Hospital. If it is to remain, priority needs to be given to amending the agreement followed by a sustained commitment to its implementation. Importantly, the ACT Health Directorate will need to improve its leadership in managing the agreement.

Eight recommendations were made.

Report No. 2 / 2016 Maintenance of Public Housing

Housing and Community Services has engaged Spotless to undertake maintenance of public housing facilities, through a Total Facilities Management contract. The audit examined Housing and Community Services' management of the Total Facilities Management contract since 2012 when Spotless was awarded its second contract.

The Auditor-General concluded that:

Managing the Total Facilities Management contract poses many challenges. While Housing and Community Services has positioned itself positively to meet these, particularly through establishing a sound governance framework for the contract, its management of the contract is not fully effective. Importantly, there is scope for Housing and Community Services to improve its contract management through fully implementing the governance framework as provided for in the Total Facilities Management contract, improving its identification and management of risk, strengthening its oversight of Spotless' quality control systems and better managing and documenting contract variations.

Eighteen recommendations were made.

Report No. 3 / 2016 ACT Policing Arrangement

Policing services in the ACT are provided by ACT Policing, a business unit of the Australian Federal Police. This is enabled through an agreement between the ACT and Commonwealth Governments, the ACT Policing Arrangement. The Auditor-General considered the administration of the Policing Arrangement and the associated Purchase Agreement by the Justice and Community Safety Directorate on the ACT Government's behalf.

The Auditor-General concluded that:

There are effective governance arrangements in place for the management and oversight of ACT Policing services by the Justice and Community Safety Directorate. The Policing Arrangement and supporting annual Purchase Agreements provide a sound framework for the establishment and maintenance of the ongoing relationship between ACT Policing and the Territory. As ACT Policing is subject to the Australian Government's governance arrangements for the Australian Federal Police, including being audited by the Australian National Audit Office, this provides additional accountability.

Governance arrangements could be strengthened by the Justice and Community Safety Directorate finalising the Legislation, Policy and Programs Branch (Justice and Community Safety Directorate) action plan; and having an increased awareness of Memorandums of Understanding between ACT Policing and ACT Government and non-government agencies. While addressing this lack of awareness it is important to maintain the operational independence of ACT Policing.

The services and deliverables to be provided by ACT Policing are well described in annual Purchase Agreements, which identify the outcomes, outputs, strategies and associated performance measures and indicators of effectiveness associated with the delivery of policing services in the ACT. These are effectively supplemented by annual Ministerial Directions, which are incorporated into ACT Policing annual Business Plans.

Payments for services are negotiated and determined on an annual basis, and rely in large part on Commonwealth cost-recovery principles and practices. Since 2014-15 there has been a well-developed and agreed methodology for the calculation of payments for enabling costs, i.e. organisational and corporate overhead costs on the part of AFP that are attributed to ACT Policing.

The Justice and Community Safety Directorate's management of the Policing Arrangement and annual Purchase Agreements could be improved by identifying, with greater clarity, its role in managing the Policing Arrangement and supporting Purchase Agreements, and implementing more rigorous risk management practices.

The Justice and Community Safety Directorate's oversight of the Policing Arrangement and Purchase Agreement is primarily achieved through a comprehensive performance management framework. The framework includes ACT Policing quarterly and annual reporting against relevant performance measures and indicators of effectiveness.

The Justice and Community Safety Directorate's activities to negotiate the Policing Arrangement and associated Purchase Agreement provide further oversight. At present, the term of the Policing Arrangement and Purchase Agreement is five years and one year respectively and significant time and resources are involved in their negotiation. There is merit in assessing if extending the terms of the Policing Arrangement and Purchase Agreement offers efficiencies in administration and, potentially, better policing outcomes by allowing a greater focus on service delivery.

Five recommendations were made.

Report No. 4 / 2016 The management of the financial arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme

In 2014, the ACT Government made a decision to establish a Loose-fill Asbestos Insulation Eradication Scheme to eradicate loose-fill asbestos from domestic housing in the ACT. The Auditor-General examined the financial arrangements associated with costing the Scheme, the funding of the Scheme and the governance and risk management arrangements for the implementation of this complex Scheme, particularly in relation to the financial risks.

The Auditor-General concluded that:

The planning for and management of the financial arrangements for the implementation of the Loose-fill Asbestos Insulation Eradication Scheme (the Scheme) has been effective. Within six months of the establishment of the Asbestos Response Taskforce (the Taskforce) in June 2014, the ACT Government had approved a scheme with the objective of providing an enduring solution to the asbestos contamination problem and secured finance for the estimated \$1 billion required for the scheme from the Commonwealth Government.

The Taskforce's approach to governance and risk management reflects better practice. This has enabled the Taskforce to develop processes and procedures which provide a structure for managing and re-assessing the implementation of the Scheme, including expenditure and commitments. The accuracy of the financial modelling for the buyback, demolition and sales phases of the Scheme has been challenging. While data on the costs of the buyback was available early into the Scheme, relevant data on the demolition costs and sales revenue did not start to become available until late 2015 and April 2016 respectively. This means that the final costs of the Scheme are uncertain and may not be able to be determined until the final sales are made in 2020.

Three recommendations were made.

Report No. 5 / 2016 Initiation of the Light Rail Project

In 2012, the ACT Government made a policy decision to implement a light rail between Gungahlin and Civic. The Auditor-General considered the activities of the Capital Metro Agency in initiating the Capital Metro Light Rail Project, including project management, governance and administrative arrangements associated with the Capital Metro Light Rail Project and activities to design the light rail, estimate the costs and benefits associated with the light rail and identify the most appropriate way to proceed with the delivery of the Light Rail Project.

The Auditor-General concluded that:

The Capital Metro Light Rail Project's governance, administrative and project management framework is sound and generally accords with better practice. Although improvements can be made, it positions the Capital Metro Agency to be able to meet the challenges of implementing light rail in the ACT. The integrity of the framework will need to be retained under revised 1 July 2016 Administrative Arrangements, whereby functions of the Capital Metro Agency and Territory and Municipal Services Directorate are merged.

Benefits management needs to be given priority and a whole-of-government Benefits Realisation Plan, and associated documentation, developed and implemented to guide the management and realisation of the project's benefits. This is important as considering only the project's transport benefits the benefit-cost ratio is 0.49, with an estimated 49.3 cents in transport benefits gained for every \$1 spent; and considering transport benefits and wider economic benefits (including land use benefits), the benefit-cost ratio is 1.20, with an estimated \$1.20 in benefits for every \$1 spent. However, the benefit-cost ratio of 1.20 needs to be used with caution as there is a lack of an agreed methodology and robust data in Australia for calculating wider economic benefits (including land use benefits). In the 1.20 benefit-cost ratio approximately 60 percent of the project's benefits are not transport-related. This is large compared with other transport infrastructure projects for which information was publicly available.

Although the ACT Government publicly released the Full Business Case, even though there was no requirement to do so, providing a discussion and explanation of the limitations of including wider economic benefits (including land use benefits) in the cost-benefit analysis would have provided more comprehensive information. Infrastructure Australia's approach is that wider economic benefits can add 'texture' for certain initiatives but need to be considered separately when considering a project.

Realising the project's benefits will involve a wide range of activities related to 'land development decisions undertaken by ACT Government; ticketing and fare setting; bus and park and ride integration; parking charges; value capture activities; signalling priorities; the location of ACT Government staff in the corridor; and other undertakings to promote economic activity in the ACT'. Accordingly, a Benefits Realisation Plan that captures such activities will require a concerted and sustained whole-of-government approach to be effectively implemented.

While actions may have commenced to realise benefits associated with the Capital Metro Light Rail Project, without a Benefits Realisation Plan there is a lack of transparency and accountability as to what needs to be done, when and by whom. The implementation of the Benefits Realisation Plan needs to be monitored (with benefits and costs clearly articulated and measured) and at key stages evaluated.

The estimated value of the project's benefits changed between various versions of the Full Business Case, including those considered by decision makers and that presented to the ACT community. While changes over time should be expected, the changes that occurred were made in a relatively short period of time, indicating that assumptions on which the benefits were being calculated were changing rather than circumstances associated with the project.

In order to achieve the benefit-cost ratio figures presented for the Capital Metro Light Rail Project, in addition to continuously monitoring and evaluating the expected benefits through a Benefits Realisation Plan, it will be important to ensure that project costs are effectively controlled. The ACT Budget will need to accommodate the expected cost of the Capital Metro Light Project of approximately \$939 million (present value, January 2016) or \$1.78 billion (nominal value) over 20 years. This does not include ACT Government agency costs for managing the implementation of the project. Revenue from fares will partially offset the costs of the Capital Metro Light Rail Project. The Full Business Case identified a total of \$81 million in revenue from fares (present value, July 2014) over 20 years.

Four recommendations were made.

Report No. 6/ 2016 Management and administration of credit cards by ACT Government entities

Credit cards are a useful mechanism to facilitate the purchase of goods and services. In 2015 approximately \$6.3 million was spent using ACT Government credit cards. The Auditor-General examined the effectiveness of the management and administration of credit cards by ACT Government entities.

The Auditor-General concluded that:

ACT Government entities have, on the whole, effective arrangements for managing and administering credit cards. However, some entities need to: improve their timeliness for acquitting credit card statements; better classify and describe goods and services purchased; maintain appropriate documentation to explain purchases (especially those for official hospitality); and collect tax invoices for reimbursements from the Australian Tax Office. The monitoring and review of the use of credit cards could also be improved through periodic validation of the issuing of cards.

Credit cards are being used for purchases of goods and services which appear to be available through the ACT Government's whole-of-government purchasing arrangements. This presents a risk that the full benefits of these arrangements are not being realised. It is therefore important that any departure from using them is well documented. This is not occurring.

Opportunities to monitor the use of credit cards, through the Corporate Online service which provides timely transactional data or detailed reports on credit card use from Shared Services, are not being taken by all entities. Furthermore, acquittals could be undertaken more efficiently if paper-based systems were replaced with an automated acquittal facility.

There would be merit in assessing credit and other cards as an accounts payable mechanism for widespread use, given the potential efficiencies for the ACT Government. The Australian and New South Wales governments have mandated the use of cards for this purpose. Adopting a similar approach would likely increase the use of cards; in that case it would be important to maintain strong controls over their management and administration to reduce the risks.

Six recommendations were made.

A.2.3.3 Timeliness of performance audits

The average time taken to complete performance audits in 2015-16 was 9.7 months. This exceeded the targeted completion timeframe of 7 months and was slightly longer than the 2014-15 average of 9 months.

The average time to complete a performance audit varies depending on the size and complexity of it, and the circumstances in which it is performed. All but two of the audits undertaken in 2015-16 exceeded the target timeframe, largely reflecting the increase in scope and complexity as the audits progressed. These factors were particularly evident in the audits of Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016) and the Initiation of the Light Rail Project (Report No. 5/2016).

Complexities in the reporting process, including the need to consult extensively in relation to the potential findings and conclusions in the report, extended the duration of

the audits of Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016), Maintenance of Public Housing (Report No. 2/2016) and the Initiation of the Light Rail Project (Report No. 5/2016).

The Audit Office continues to explore ways to provide the capacity needed to deliver its performance audit program. In 2015-16, the Audit Office again used contractors and consultants in the delivery of performance audits and continued to use subject matter experts when appropriate. The practice of using subject matter experts continues to prove to be particularly useful for complex audits or those requiring highly technical or specialist expertise.

Performance Audit Seminar

A performance audit seminar (*Seizing Opportunities: Performance Audits*) was held on 16 June 2016 and opened by the Chair of the Public Accounts Committee. The seminar focused on the challenges and opportunities that performance audits bring and provided an opportunity for agencies and entities that had recently been audited to share their experiences so that those who were to be audited could benefit.

A panel discussion included representatives of the directorates involved in the Gastroenterology and Hepatology Unit, Canberra Hospital and Speed Cameras in the ACT performance audits, both of which were published in 2014. Audit Committee Chairs of these directorates were also involved in the panel discussion. A common theme in the panel discussion was the opportunity to use the performance audit process as a mechanism to bring about positive changes in public sector administration.

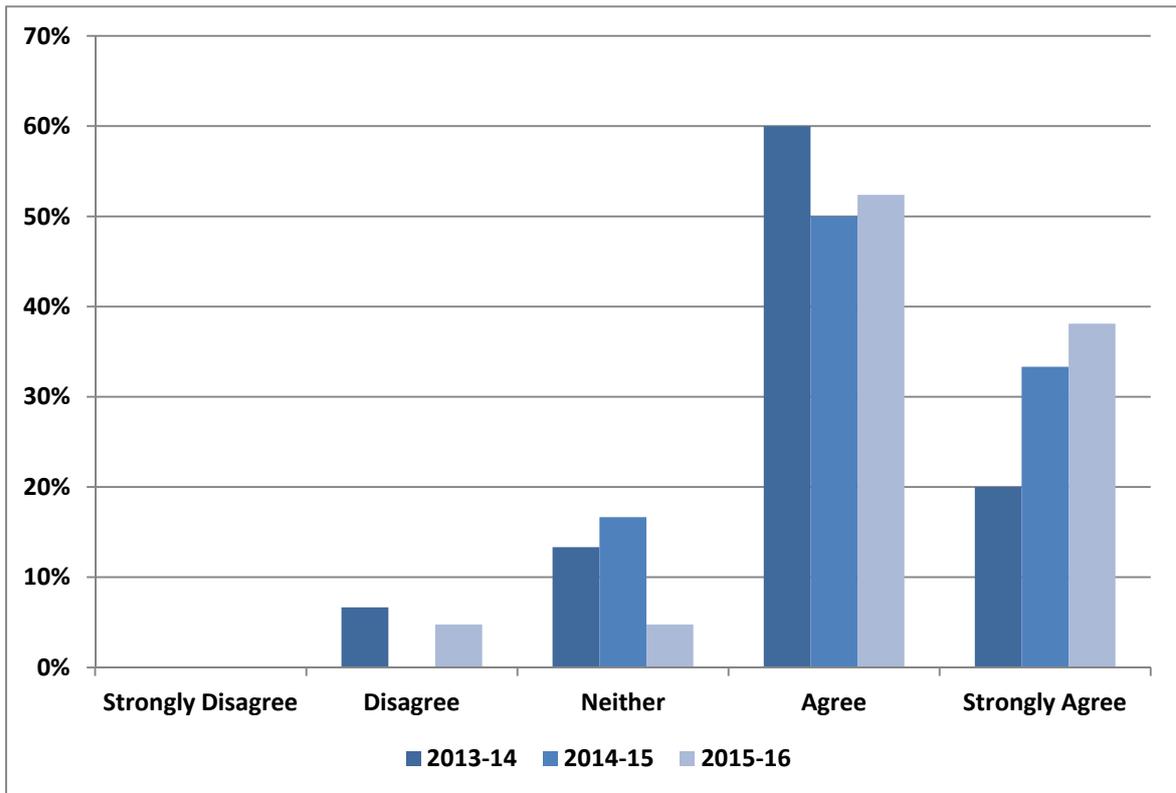
The forward performance audit program was also discussed at the seminar.

This seminar was well attended by auditees' representatives and feedback was positive. Some suggestions for improvement were made and these will be considered in the development of future performance audit seminars.

A.2.3.4 Satisfaction with performance audits

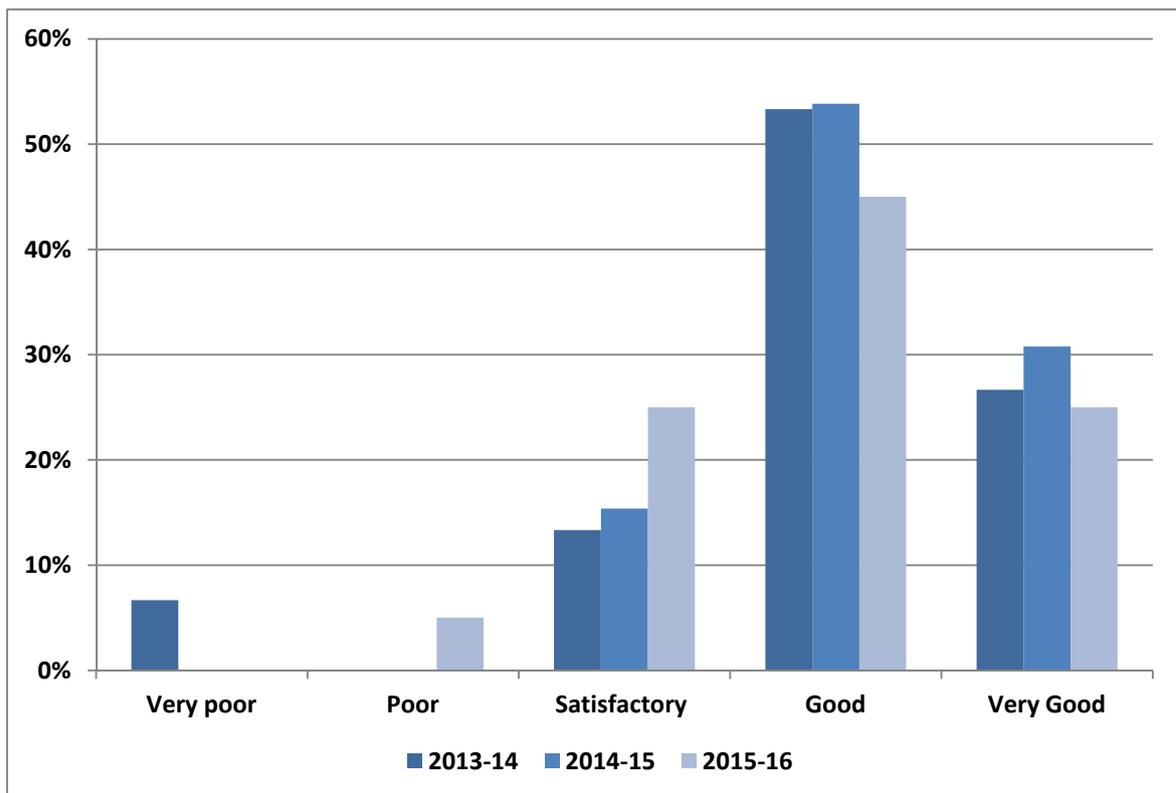
Auditees are surveyed following the completion of each performance audit. Survey responses showed that agencies in general value the work of the Audit Office. Comments provided by agencies in 2015-16 were generally positive and indicated high levels of satisfaction with the way in which audits were conducted. Comments from agencies are in Note 6 of the Audit Office's Statement of Performance on pages 160 to 162 in Section B.5. Figure A.2 on the following page indicates agencies' perceptions of audit contributions to improving administration performance.

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



Source: Audit Office’s Statement of Performance in Section B5 on pages 148 to 172 and agency satisfaction surveys

Figure A.2 shows that in 2015-16 the auditees responded positively to the statement ‘the audit will help our organisation to improve administration of the audited activity’. Agencies continue to reflect a positive audit experience, as shown on page 27 in Figure A.3.

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

Source: Audit Office's Statement of Performance in Section B5 on pages 148 to 172 and agency satisfaction surveys

The survey data shows that the auditees' assessment of the Audit Office's performance in 2015-16 remains largely satisfactory, with only one 'poor' assessment given. Compared to 2014-15, there has been an increase in the 'satisfactory' assessments with decreases to both the 'good' and 'very good' assessments.

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

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

Performance audit methods

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

- engagement quality control reviews, sometimes referred to as 'hot' reviews. These involve a review of audit work before the audit is completed. The findings from this review are addressed before the audit is completed; and
- quality assurance reviews, sometimes referred to as 'cold' reviews. These involve a review of audit work after the audit has been completed.

All audits completed in 2015-16 were subject to an engagement quality control review. These reviews sought to provide assurance that the:

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

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

Performance Audit Methods and Practices (PAMPr) is the Audit Office's method for the conduct of performance audits. PAMPr is incorporated within ASPIRE (a document management system). The use of PAMPr and ASPIRE contributes to compliance with relevant auditing standards and consistency in practices used within the Audit Office.

A revised PAMPr was fully incorporated within ASPIRE in August 2014 following a comprehensive review and update. In October 2015, following more than twelve months' use of the revised PAMPr and ASPIRE, further revisions were made. Revisions have also been made in response to recommendations in the 2016 strategic review of the Auditor-General. Throughout 2015-16, there has been a continuing focus on improving and embedding the revised PAMPr into performance audit team practices.

A.2.3.6 Comparison with other jurisdictions

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

Cost

The Audit Office's average cost per performance audit for 2015-16 was \$272 955, compared to the average of \$292 037 for all state and territory audit offices in Australia.

Timeliness

The Audit Office's average period of completion of performance audits in 2015-16 was 9.7 months compared to the average of 8.8 months for all state and territory audit offices in Australia. As discussed under A.2.3.3 on page 24, the average time to complete a performance audit varies depending on the size and complexity of it, and the circumstances in which it is performed. All but two of the audits undertaken in 2015-16 exceeded the target timeframe, largely reflecting the increase in scope and complexity as the audits progressed.

Further information can be obtained from:

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

The Audit Office issues:

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

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

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

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

A.2.4.1 Meeting targets

Table A.3: Accountability indicators for financial audits

Accountability indicators	2014-15 Actual	2015-16 Actual	2015-16 Target
Number of audit reports issued on financial statements	75	65	66
Number of reports of factual findings issued on statements of performance	30	27	28
Percentage of agencies satisfied with financial audits	100%	100%	95%
Percentage of recommendations accepted in financial audits	71%	80%	95%
Percentage of financial audits completed within the required timetable	85%	85%	100%
Presentation of the summary report on financial audits to the Legislative Assembly	December 2014	December 2015	December 2015

Source: Audit Office's Statement of Performance in Section B5 on pages 149 to 173.

A.2.4.2 Audit reports and reports of factual findings

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

The number of audit reports issued on financial statements in 2015-16 (65) was one less than the 2015-16 target (66). The 2015-16 target included two audits that are no longer required to be performed. These were the:

- audit of the financial statements of the University of Canberra College Pty Limited; and
- acquittal audit of Commonwealth funding provided under the *Nation Building Program (National Land Transport) Act 2009* – Majura Parkway.

These were partially offset by the audit, for the first time, of financial statements for the ACT Veterinary Surgeon's Board.

The number of audit reports issued in 2015-16 (65) was less than the number issued in 2014-15 (75) due mainly to several audits no longer being required. An audit of the financial statements:

- of the Commerce and Works Directorate for the year ended 30 June and for the period from 1 July 2014 to 6 July 2014 was not required in 2015-16 following changes to administrative arrangements;
- of the Economic Development Directorate for the year ended 30 June and for the period from 1 July 2014 to 6 July 2014 was not required in 2015-16 following changes to administrative arrangements;
- of Exhibition Park Corporation for the year ended 30 June and for the period from 1 July 2014 to 31 December 2014 was not required after the Corporation was dissolved and its functions transferred to the Chief Minister, Treasury and Economic Development Directorate under changed administrative arrangements;
- of ACTTAB Limited for the year ended 30 June and an audit of ACN 071 257 504 Limited (formerly ACTTAB Limited) for the period from 1 July 2014 to 31 January 2015 was not required after its sale;
- of University of Canberra College Pty Limited was not required when the University of Canberra sold 51 percent of its shareholding in the College; and
- relating to Commonwealth funding provided under the Digital Hubs Program, *Nation Building Program (National Land Transport) Act 2009* – National Projects – Majura Parkway 30 June 2012 was not required in 2015-16.

This decrease was partially offset by two audits that were required for the first time in 2015-16 (Lifetime Care and Support Fund and ACT Electoral Commission).

The number of reports of factual findings issued on statements of performance in 2015-16 (27) was one less than the 2015-16 target (28) because a review of a statement of performance for the ACT Electoral Commission was incorrectly included in the 2015-16 target when the Commission is not required to have a statement of performance under the *Financial Management Act 1996*.

There were fewer reports of factual findings issued in 2015-16 (27) than in 2014-15 (30).

Audit reports issued on financial statements and reports of factual findings issued on statements of performance are listed in the Audit Office's Statement of Performance in Section B.5 on pages 170 to 173.

A.2.4.3 Timeliness of financial audits

The Audit Office attempts to complete all financial audits within the required timetable. This required timetable is the:

- reporting and audit timetable issued by the Chief Minister, Treasury and Economic Development Directorate; or
- planned timing agreed between the Audit Office and the reporting agency.

Meeting this timetable is challenging as there are many factors outside the control of the Audit Office. For example, for audits to be completed by the required date, reporting agencies need to:

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

In 2015-16, the Audit Office completed 85 percent (55 of 65) of the financial audits within the required timetable. This result is below the target of 100 percent and unchanged from the result of 85 percent (64 of 75) achieved in 2014-15.

Audits of the financial statements were delayed due to reporting agencies not providing signed financial statements and certified statements by the due date, the identification of errors in the reporting agency's financial statements that needed to be returned for correction and delays in the provision of information (supporting work papers) to the Audit Office.

Despite delays, all audits were completed in time for reporting agencies to meet any applicable statutory reporting timeframes.

A.2.4.4 Acceptance of audit recommendations

Australian Auditing Standard ASA 260: 'Communication with Those Charged with Governance' requires the Audit Office to report to those charged with the governance of an agency significant matters (audit findings) identified during an audit. Audit findings can include weaknesses in governance arrangements internal controls and reporting systems; legislative breaches; errors; or fraud.

The Audit Office reports audit findings in audit management reports. While there is no requirement for the Audit Office to provide recommendations on how to address audit findings, they are provided to assist reporting agencies effectively respond.

Reporting agencies are responsible for the adequacy of their governance, internal control and reporting arrangements. Accordingly, the Audit Office is unable to direct reporting agencies to address weaknesses in these arrangements. Reporting agencies may disagree with audit recommendations for various reasons. These include, for example, that the:

- cost of implementing audit recommendations outweighs the benefits;
- weaknesses may be best addressed in ways other than recommended by the Audit Office; and
- risks posed by the weaknesses are not significant enough to warrant action.

Reporting agencies accepted 80 percent (129 of 162) of recommendations made by the Audit Office in 2015-16. While this result is below the target acceptance rate of 95 percent, it exceeds the rate of 71 percent (144 of 202) achieved in 2014-15.

The lower than expected result is due to 8 percent (13 of 162) audit recommendations being 'agreed-in-principle', 4 percent (7 of 162) being 'partially agreed' and 5 percent (8 of 162) being 'noted'. Only 3 percent (5 of 162) were 'not agreed' to by reporting agencies.

A.2.4.5 Satisfaction with financial audits

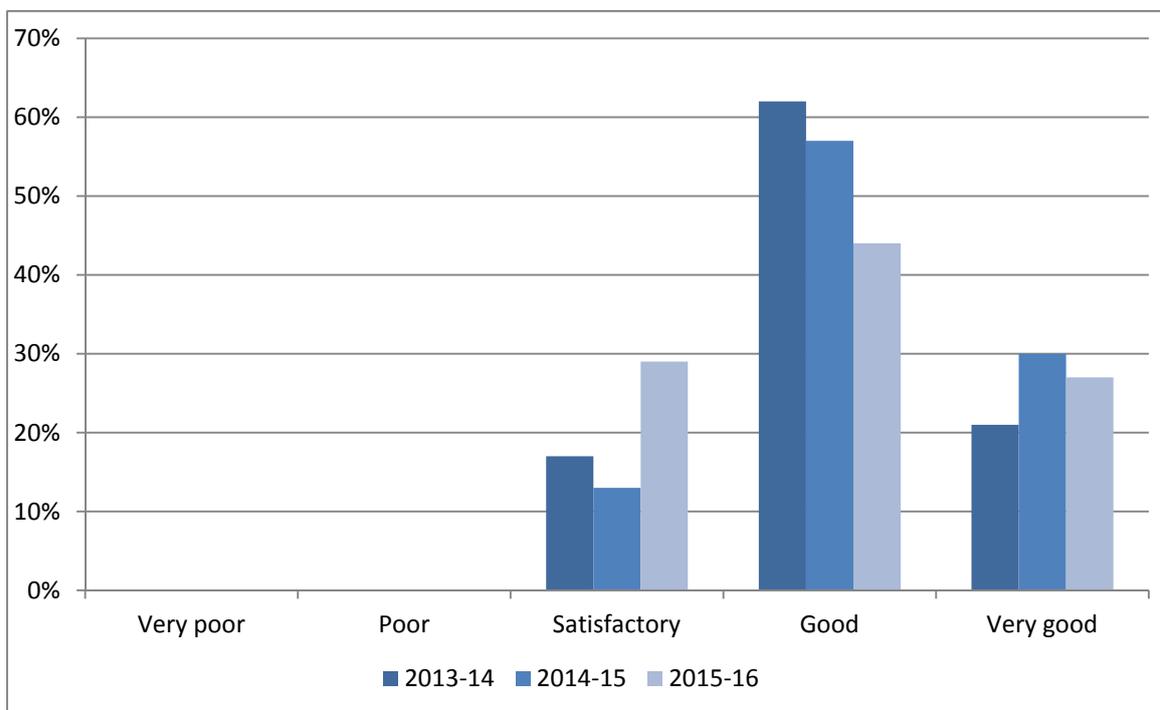
Reporting agencies consistently provided high satisfaction ratings on the Audit Office's performance on financial audits in 2015-16.

Forty-five² reporting agencies were surveyed on their satisfaction with financial audits with 41 responses being received. All responses indicated that reporting agencies were 'satisfied' with audits, with 27 percent (11 of 41) rating the Audit Office's performance as

² While 65 audits were completed in 2015-16, 45 satisfaction surveys were issued as some satisfaction surveys cover multiple audits (e.g. Icon Water group, ActewAGL Joint Venture, Public Trustee for the ACT and ACT Public Cemeteries Authority). No surveys are sent in relation to the several small Commonwealth grant acquittal audits.

‘very good’, 44 percent (18 of 41) as ‘good’ and 29 percent (12 of 41) as ‘satisfactory’. Four (nine percent) did not provide a response to the survey.

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



Source: Audit Office’s Statement of Performance in Section B5 on pages 148 to 172 and agency satisfaction surveys

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

Figure A.4 shows that in 2015-16, consistent with recent years, comments provided by reporting agencies were generally positive and indicated satisfaction with the way in which financial audits were conducted.

Comments made by reporting agencies are provided in Note 5 of the Audit Office’s Statement of Performance in Section B.5 on pages 157 to 159.

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

‘2014-15 Financial Audits’ (Report No. 10/2015) was tabled on 18 December 2015.

Report No. 10/2015 2014-15 Financial Audits

This report contains a summary of the results of audits of financial statements and reviews of statement of performance with reporting periods ending 31 December 2014, 30 June 2015 and for periods within the 2014-15 financial year.

This report includes:

- an assessment of the overall quality and timeliness of reporting by agencies and other reporting entities;
- a review of the budget performance of the Territory and agencies; and
- a summary of the major audit findings reported to agencies and information on progress made in resolving audit findings that have been previously reported to agencies. Audit findings may include weaknesses in governance arrangements, internal controls and reporting systems; breaches of legislation; errors; or fraud.

The summary report discloses that, in 2014-15, the Audit Office completed:

- audits of 70 financial statements with no audit reports being qualified (five qualified audit reports were issued in 2013-14). The matter that resulted in qualified audit reports being issued in 2013-14 on the financial statements of the ACT Public Cemeteries Authority and the related Gungahlin Cemetery Perpetual Care Trust, Hall Cemetery Perpetual Care Trust, Woden Cemetery Perpetual Care Trust and Woden Mausoleum Perpetual Care Trust was resolved in 2014-15; and
- reviews of 30 statements of performance with one qualified report of factual findings issued. A qualified report of factual findings was issued on the statement of performance of the former Economic Development for the period from 1 July 2014 to 6 July 2014 because targets for accountability indicators had not been established and reported against as required by the *Financial Management Act 1996*.

The report also discloses that reporting agencies' performance in resolving previously reported audit findings improved in 2014-15. Several weaknesses in controls over computer information systems, including major revenue applications, were not resolved.

The quality of financial statements submitted by agencies for audit in 2014-15 improved compared with 2013-14. In contrast, there was a decrease in the quality of statements of performance submitted by agencies in 2014-15 compared with 2013-14.

Compliance with the whole-of-government reporting timetable for providing financial statements and statements of performance to the Audit Office for examination remained high.

A.2.4.7 Improving reporting

The Audit Office worked with reporting agencies to improve their financial statements and statements of performance submitted for examination by the Audit Office. The aim is to ensure that high quality financial statements and statements of performance are published by reporting agencies.

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

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

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

As in previous years, the Audit Office provided suggestions on 'model financial statements' prepared by the Chief Minister, Treasury and Economic Development Directorate for use by reporting agencies in preparing their 2015-16 financial statements. These suggestions provide increased assurance that reporting requirements, in particular, any new reporting requirements are correctly addressed in the guidance provided in the model financial statements.

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

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

In 2015-16, the Audit Office reviewed the accounting for, and reporting of:

- service concession arrangements. This included a review of the ACT Government accounting policy and those used in relation to the Light Rail Project (Capital Metro Agency), ACT Law Courts Project (Justice and Community Safety Directorate) and Calvary Public Hospital (Local Hospital Network Directorate);

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- the Loose-fill Asbestos Insulation Eradication Scheme - a buyback scheme for ACT houses affected by loose-fill asbestos (Mr Fluffy) insulation (Chief Minister, Treasury and Economic Development Directorate and Territory Banking Account);
- arrangements relating to the National Rental Affordability Scheme, construction of an aged care including child care facility with a third party (University of Canberra);
- licence fees (Independent Competition and Regulatory Commission); and
- land transferred from the Territory and Municipal Services Directorate to the Land Development Agency.

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

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

- the adequacy of controls implemented by Shared Services over the information technology environment and the human resources information management system (Chris21) used by most reporting agencies; and
- estimates of reported liabilities calculated by actuaries including superannuation liabilities (Superannuation Provision Account) and claims liabilities (ACT Insurance Authority and Lifetime Care and Support Fund).

A.2.4.8 Financial audit seminar

The Audit Office held the 2016 Financial Audit Seminar (*Working Smarter Together*) on 29 April 2016. The Chair of the Public Accounts Committee opened the seminar. Seminar attendees were provided with information on:

- key findings from the prior year's program of financial audits;
- current and future accounting and reporting requirements;
- information on the Audit Office's use of experts to obtain accounting advice;
- changes to the model financial statements issued by the Chief Minister, Treasury and Economic Development Directorate;
- perspectives from reporting agencies on what makes a successful reporting and audit process; and
- key audit contacts.

This information was presented by representatives from the Audit Office, Chief Minister, Treasury and Economic Development Directorate, Australian Accounting Standards Board, Australian National Audit Office and reporting agencies.

Attendees provided favourable feedback on the seminar.

A.2.4.9 Improving the quality of financial audit work

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

The Audit Office's Principal, Professional Services (who is not part of the assigned audit team) supervises the performance of quality control reviews in accordance with the Audit Office's *Quality Control and Assurance Policy*. These reviews are the same as is used for performance audits, 'hot' and 'cold' reviews, refer to Section A.2.3.5 on page 27.

Overall, the reviewer assessed that the audit files selected for 'cold' review were of a good standard and complied with the financial audit methodology and auditing standards. The reviewer concluded that the audit files had sufficient evidence to support the opinions provided in audit reports and reports of factual findings.

The reviewer recommended improvements for documentation in the audit file. To provide assurance that review findings and recommendations lead to improvements in the quality of financial audit work:

- review findings were considered in the annual financial audit method training held from 10 to 12 May 2016;
- audit teams are required to complete a checklist indicating that review findings have been addressed before audits are completed; and
- quality assurance reviews address whether review findings are being consistently addressed.

A.2.4.10 Comparison with other jurisdictions

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

Cost

The Audit Office's average cost per opinion issued on financial statements in 2015-16 was \$76 090 or 3% lower than the average cost of \$78 379 for all state and territory audit offices in Australia.

Timeliness

The Audit Office issued 93 percent of its audit reports on financial statements within three months of the end of the reporting period compared to the average of 69 percent for all state and territory audit offices in Australia.

This reflects the legislative requirement for audits of financial statements and reviews of statements of performance to be completed within three months of the end of the financial year.

Further information can be obtained from:

Mr Bernie Sheville	Director, Financial Audits and Chief Finance Officer	(02) 6207 0821	bernie.sheville@act.gov.au
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A.3 Scrutiny

A.3.1 Strategic review recommendations

Under the A-G Act, a strategic review of the Auditor-General's functions and a performance may be undertaken. A strategic review was undertaken in 2016. The strategic reviewer, Mr Des Pearson AO, was appointed by the Speaker of the ACT Legislative Assembly.

As mentioned in Section A.1.3.1 the strategic review reported favourably on the performance of the Audit Office. It included 20 recommendations; of which the Auditor-General is accountable for 16. The 16 recommendations will be used to guide improvements and assist the Audit Office enhance its performance. Table A.4 lists the 16 recommendations, provides the Audit Office's response and reports on the status of actions taken in response to the recommendations as of 30 September 2016.

Table A.4: Status of the recommendations from the strategic review

Recommendation	Audit Office response	Status
<p>Recommendation 4 (Performance Audit)</p> <p>That additional overt criteria be adopted in selecting performance audit topics.</p>	<p>Agreed.</p> <p>The process in place to select potential audit topics for inclusion in the Performance Audit Program will be enhanced to include additional criteria that mirror budgetary priority areas and cover sector-wide issues.</p> <p>The ACT Audit Office has incorporated additional criteria in planning for the 2016-17 Performance Audit Program.</p> <p>The internal guidance (Performance Audit Methods and Practices or PAMPr) will be updated to reflect the above by 30 September 2016.</p>	<p>Completed.</p>
<p>Recommendation 5 (Performance Audit)</p> <p>That a more active approach be taken to engaging with directorates and agencies in relation to potential performance audit topics identified in out years with a view to encouraging directorates and agencies to prepare for the audit.</p>	<p>Agreed.</p> <p>Agencies identified as having potential audits in out years will be provided with the opportunity for additional consultation during the year and in developing the annual Performance Audit Program.</p> <p>In developing the annual Performance Audit Program agencies will be invited to provide information on assurance activities they have undertaken on the proposed out year audits. This will be considered by the ACT Audit Office in deciding whether or not to retain these audits in its forward program.</p> <p>As noted by Mr Pearson, the ACT Audit Office will need to exercise caution in undertaking the recommended approach to ensure that it maintains its independence and does not become part of the auditees' processes for addressing areas of risk or concern.</p> <p>The internal guidance (PAMPr) will be updated to reflect the above by 30 September 2016.</p>	<p>Completed.</p>

Recommendation	Audit Office response	Status
<p>Recommendation 6 (Financial Audit)</p> <p>Consider splitting the current Financial Audits Report into an acquittal report and tabling a complementary computer information systems and other controls report in the first half of the ensuing year.</p>	<p>Agreed.</p> <p>The merits and challenges of reporting separately and at different times on some chapters in the report on financial audits will be assessed.</p> <p>The assessment will be undertaken and a recommendation will be made to the Auditor-General by 31 July 2016.</p>	<p>Completed on 30 September 2016.</p> <p>Progress was delayed due to priority given to financial audit program.</p>
<p>Recommendation 7 (Financial Audit)</p> <p>That heightened attention be given to the quality of engagement with audited entities and opportunities be taken to engage and educate audited entities both directly on targeted areas and via forums such as the Annual Financial Audit Seminar.</p>	<p>Agreed.</p> <p>Information was provided on the use of accounting experts by reporting agencies and the ACT Audit Office in the Office's 2016 Financial Audit Seminar on 'Working Smarter Together' held on 29 April 2016.</p> <p>Furthermore, audit strategies provided to audited entities for 2015-16 financial audits will be amended to provide more information and guidance on the use of experts (e.g. accounting, legal and actuarial experts) by audited entities and the ACT Audit Office. This will be done by 30 June 2016.</p> <p>As noted by Mr Pearson, the ACT Audit Office must maintain independence from the reporting processes implemented by audited entities. While the ACT Audit Office is unable to jointly seek external advice on accounting for significant and complex arrangements together with the audited entities, it will continue to provide advice on the planned scope of work to be undertaken by experts engaged by these entities.</p>	<p>Completed.</p> <p>Audit Strategies were amended to provide more information and guidance on the use of experts (e.g. accounting, legal and actuarial experts) by audited entities and the ACT Audit Office.</p>
<p>Recommendation 8 (Financial Audit)</p> <p>That particular attention be paid to the likelihood of the need for new and revised accounting treatments in the planning cycle and a pro-active approach be taken to achieving appropriate engagement, and to the extent</p>	<p>Agreed in principle.</p> <p>It is agreed that particular attention needs to be given to identifying new and revised accounting treatments early in the audit planning cycle to minimise the risk of delays in completing the financial statements. Accordingly, the ACT Audit Office will continue</p>	<p>Completed.</p> <p>The Audit Office managed the risk of delays by:</p> <ul style="list-style-type: none"> - seeking information on new or revised accounting treatment before 30 June 2016 as part of the planning for each

Recommendation	Audit Office response	Status
<p>practicable a consultative approach to obtaining technical accounting advice.</p>	<p>to manage this risk by:</p> <ul style="list-style-type: none"> - seeking information from audited entities on new or revised accounting treatments when planning audits. This information will be sought in relation to 2015-16 financial audits by 30 June 2016; - providing advice to the Chief Minister, Treasury and Economic Development Directorate on major expected developments in accounting and reporting when requested by the Directorate to provide advice; and - alerting audited entities to changes to accounting, reporting and audit requirements and better practices in annual financial audit seminars. The ACT Audit Office provided information on changes to accounting and reporting requirements in its 2016 Financial Audit Seminar on <i>Working Smarter Together</i> held on 29 April 2016. <p>Recognising the importance of this issue, the ACT Audit Office will continue to monitor the effectiveness of this approach as part of its management of the financial audit program by reviewing whether any delays in audits are due to a failure to identify new and revised accounting treatments. This will be done by 31 October 2016 following the completion of the 2015-16 financial audit program.</p> <p>As noted by Mr Pearson, the ACT Audit Office must maintain independence from the reporting processes implemented by audited entities. The ACT Audit Office is therefore unable to jointly seek external advice on new and revised</p>	<p>audit;</p> <ul style="list-style-type: none"> - provided advice to the Chief Minister, Treasury and Economic Development Directorate on accounting for service concession arrangements and new disclosure requirements relating to key management personnel; - provided information on changes to accounting and reporting requirements in the 2016 Financial Audit Seminar. <p>The effectiveness of this approach was reviewed following the completion of the 2015-16 financial audit program and assessed to be effective.</p>

Recommendation	Audit Office response	Status
<p>Recommendation 8 - Continued (Financial Audit)</p>	<p>accounting treatments together with the audited entities. The ACT Audit Office will continue to obtain technical accounting advice from external experts where necessary.</p>	
<p>Recommendation 9 (Financial Audit)</p> <p>That when engaging a contractor to assist with an audit, the relevant auditee be appraised of the context and considerations and their views be canvassed as part of the decision making process.</p>	<p>Agreed in part.</p> <p>Information will continue to be provided to an auditee when the ACT Audit Office decides to engage a contractor to perform the audit of the auditee’s financial statements. This includes information on related contextual matters and considerations such as the term of the engagement, restrictions to be imposed on the performance of other (non-audit) work under the audit contract, pricing considerations and timing of the engagement. The auditee will also continue to be provided with the opportunity to brief prospective contractors on the operations of the auditee and the manner in which they would like to see the audit conducted.</p> <p>Consistent with this recommendation, the ACT Audit Office will enhance its current practices by consulting with the auditee on the development of the selection criteria to be used by the ACT Audit Office in selecting the contractor.</p> <p>To maintain independence, the auditee will not be directly involved in the decision making process for the selection of the contractor.</p> <p>The ACT Audit Office’s Procurement Guidelines will be updated to reflect the above by 31 August 2016.</p>	<p>Completed.</p> <p>Procurement Guidelines were amended and new guidelines were approved by the Auditor-General on 20 July 2016.</p>

Recommendation	Audit Office response	Status
<p>Recommendation 10 (Performance Audit)</p> <p>That additional criteria and a more precedent based approach be adopted for determining the time and dollar budgets for undertaking performance audits.</p>	<p>Agreed.</p> <p>Additional criteria and the cost of previous audits will be used to estimate the internal budgets and timing for performance audits.</p> <p>The internal guidance (PAMPr) will be updated to reflect the above by 30 September 2016.</p>	<p>Completed.</p>
<p>Recommendation 11 (Performance Audit)</p> <p>That a more rigorously phased approach to managing performance audits be adopted, which is more prescriptive about processes and deliverables, so as to better utilise the capabilities of individuals and teams of professional staff.</p>	<p>Agreed.</p> <p>An additional milestone will be included in each performance audit work plan and guidance on requirements for existing milestones will be enhanced.</p> <p>The internal guidance (PAMPr) will be updated to reflect the above by 30 September 2016.</p>	<p>Completed.</p>
<p>Recommendation 12 (Professional Services)</p> <p>That a more structured approach be taken to introducing audit staff to the executive staff of auditees in order to promote and facilitate communication and engagement.</p>	<p>Agreed in principle.</p> <p>The assessment of merits and challenges of a more structured approach for introducing audit staff to the executive staff of auditees will be undertaken and a recommendation will be made to the ACT Auditor-General by 30 September 2016.</p>	<p>Completed.</p> <p>The assessment of merits and challenges of a more structured approach for introducing audit staff to the executive staff of auditees was undertaken and a recommendation was made to the Auditor-General.</p> <p>PAMPr guidance has been updated.</p>
<p>Recommendation 13 (Performance Audit)</p> <p>That heightened attention be paid to ensuring the Annual Performance Audit Seminar agenda is informed by feedback comments and that an interactive session be designed to deal specifically with educating entities about the audit mandate, the focus of audit on assuring appropriately informed decision making as well as to provide insight to audit approaches and lessons to be learned more generally from audit findings.</p>	<p>Agreed.</p> <p>The annual Performance Audit Seminar will continue to include interactive sessions with auditees on their experiences with the performance audit process, and provide advice for prospective auditees. It will be designed to reinforce the audit mandate, provide insight on audit approaches and lessons from audit findings.</p>	<p>Completed.</p>

Recommendation	Audit Office response	Status
<p>Recommendation 15 (Performance Audit)</p> <p>That following each report where section 20 is invoked, a post audit meeting be sought with the Chief Minister (or their representative) to identify options for refining the use of section 20.</p>	<p>Agreed.</p> <p>Where Executive deliberation material is used or referenced in a performance audit, the ACT Audit Office will, after the performance audit report has been tabled, seek a meeting with the Chief Minister (or their representative) to discuss the use of executive deliberation material in the performance audit. The internal guidance (PAMPr) will be updated to reflect the above by 30 September 2016.</p>	<p>Completed.</p>
<p>Recommendation 16 (Performance Audit)</p> <p>That agreement be sought that public interest disclosure (PID) activity beyond a base level be underwritten by budget supplementation (or use of the ACT Audit Office's accumulated funds in the ACT Audit Office's Balance Sheet, if these funds are sufficient).</p>	<p>Agreed.</p> <p>Budget supplementation to fund public interest disclosure activity will be sought as part of the annual budget process where the ACT Audit Office assesses that budget supplementation is needed. Alternatively, the ACT Audit Office will seek to access accumulated funds for this purpose should it become necessary to do so.</p>	<p>Not commenced.</p> <p>The Audit Office has yet to assess whether budget supplementation is needed.</p>
<p>Recommendation 17 (Performance Audit)</p> <p>That an appropriate level of accumulated funds be determined for carry forward and that these funds be invested to finance additional transitional performance audit activity to achieve an even spread of performance audit reports across the program year.</p>	<p>Agreed.</p> <p>The ACT Audit Office will seek to increase expenditure and access accumulated funds for the purpose of undertaking additional transitional performance audits to achieve an even spread across a program year. Actions to progress the above will commence in 2016-17.</p>	<p>Not commenced.</p>
<p>Recommendation 18 (Professional Services)</p> <p>Augment the Learning and Development Program with a focused and applied staff training program on stakeholder relationship management.</p>	<p>Agreed.</p> <p>A coaching session on stakeholder relationship management was provided to ACT Audit Office Managers on 6 May 2016. The ACT Audit Office's Learning and Development Program for 2016-17 will include further staff training on stakeholder relationship management.</p>	<p>Completed.</p> <p>Stakeholder management training was included in the 2016-17 Learning and Development Program. This training was provided to all staff by ORIMA Research Pty Ltd and was held on 5 July 2016.</p>

Recommendation	Audit Office response	Status
<p>Recommendation 19 (Professional Services)</p> <p>That a structured familiarisation and induction plan be developed to engage with newly appointed Directors-General, Chairs and CEOs of agencies soon after their appointment and an ongoing program of engagement with Senior Executives of the ACT Government be developed in consultation with the Head of Service.</p>	<p>Agreed.</p> <p>The ACT Auditor-General contacted the Head of Service on 5 May 2016 to initiate action to develop a plan.</p>	<p>In progress.</p> <p>As yet no response has been received from the Head of Service.</p>
<p>Recommendation 20 (Professional Services)</p> <p>That the ACT Auditor-General seek to meet with the ACT Strategic Board on a six-monthly basis to brief on audit issues and findings.</p>	<p>Agreed.</p> <p>The ACT Auditor-General contacted the Head of Service on 5 May 2016 to request arrangements be made for meeting with the Strategic Board.</p>	<p>Completed.</p> <p>As yet no response has been received from the Head of Service.</p>

A.3.2 Legislative Assembly inquiries and reports

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

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

The Audit Office's financial statements and statements of performance are audited by an independent external auditor under the A-G Act who is appointed by Speaker of the Legislative Assembly. Unqualified reports for the 2015-16 financial statements and statement of performance were issued by the external auditor, Charterpoint Pty Limited.

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

The following performance audit reports were referred to the PAC in 2015-16.

- Report No. 9/2015: Public Transport: The Frequent Network
- Report No. 10/2015: 2014-15 Financial Audits

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- Report No. 1/2016: Calvary Public Hospital Financial and Performance Reporting and Management
- Report No. 2/2016: Maintenance of Public Housing
- Report No. 3/2016: ACT Policing Arrangement
- Report No. 4/2016: The Management of the Financial Arrangements for the Delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
- Report No. 5/2016: Initiation of the Light Rail Project
- Report No. 6/2016: Management and Administration of Credit Cards by ACT Government entities.

The PAC completed inquiries into the following performance audit reports in 2015-16.

- Report No. 1/2013: Care and Protection System
- Report No. 4/2013: National Partnership Agreement on Homelessness
- Report No. 5/2013: Bushfire Preparedness
- Report No. 8/2013: Management of Funding for Community Services
- Report No. 4/2014: Gastroenterology and Hepatology Unit, Canberra Hospital
- Report No. 5/2014: Capital Works Reporting
- Report No. 1/2015: Debt Management
- Report No. 7/2015: Sale of ACTTAB
- Report No. 9/2015: Public Transport: The Frequent Network
- Report No. 10/2015: 2014-15 Financial Audits
- Report No. 1/2016: Calvary Public Hospital Financial and Performance Reporting and Management
- Report No. 2/2016: Maintenance of Public Housing

Inquiries into the following performance audit reports were in progress at 30 June 2016.

- Report No. 3/2015: Restoration of the Lower Cotter Catchment (*completed 9 August 2016*)
- Report No. 6/2015: Bulk Water Alliance (*completed 9 August 2016*)
- Report No. 3/2016: ACT Policing Arrangement (*completed 8 September 2016*)
- Report No. 4/2016: The Management of the Financial Arrangements for the delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (*completed 8 September 2016*)
- Report No. 5/2016: Initiation of the Light Rail Project (*completed 8 September 2016*)
- Report No. 6/2016: Management and administration of credit cards by ACT Government entities (*completed 8 September 2016*)

In 2015-16, the PAC commenced an inquiry into the 2016 Strategic Review of the ACT Auditor-General which was completed on 1 August 2016.

In 2015-16, only one recommendation was specifically made to the Audit Office. This recommendation is included in Table A.5.

Table A.5: Recommendation by Assembly Committees

Committee/report title/date tabled	Recommendation	Audit Office response
<p>Committee Standing Committee on Public Accounts</p> <p>Report Title Review of Auditor-General's Report No. 1 of 2013: Care and Protection System</p> <p>Date Tabled: 24 September 2015</p>	<p>Recommendation 5</p> <p>The Committee recommends that the ACT Auditor-General conduct a performance audit of statutory office-holders in the ACT within two years of the tabling of this report, examining: (i) transparency of financial information; (ii) performance and accountability indicators; (iii) protocols between statutory office-holders and host agencies; and (iv) effectiveness of governance frameworks and enabling legislation.</p>	<p>Complete.</p> <p>The Audit Office's Performance Audit Program for 2016-17 lists performance audit of statutory office-holders under the 'Potential Audits to Commence in 2018-19'.</p>

A.3.3 Reports of the Ombudsman

There were no investigations undertaken by the Ombudsman in relation to the Audit Office in 2015-16.

A.4 Risk management

A.4.1 Risk management

The Audit Office has a risk management framework in accordance with the ACT Government's Risk Management Guidelines which complies with the Risk Management Standard AS/NZS 31000:2009. The framework includes a Risk Management Policy and Plan, Business Continuity Plan and Security Policy Statement.

The Risk Management Plan is reviewed biannually and the Audit Office's Business Continuity Plan was last tested in June 2016 using an independent risk management consultant to facilitate a simulation exercise. The testing found that the Audit Office met the requirements of the plan.

The Audit Office recently completed a compliance and capability self assessment against ACT Government's Protective Security Policy Framework (PSPF). The Audit Office assessed that its existing suite of policies and procedures largely covers the mandatory requirements of the PSPF. However, some policies and procedures need to be updated to fully comply with the requirements.

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

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

The Audit and Review Committee also monitors risk management in the Audit Office, as discussed below.

Further information can be obtained from:

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

A.5.1 Audit and Review Committee

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

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

Details of the membership of the Committee and meetings attended by its members are provided in Table A.5.

Table A.5: Audit and Review Committee

Name	External / Internal	Duration	Position	No. of meetings attended
Ms Janean Richards	External	June 2013 to June 2017	Independent Chair	5
Mr Tim Larnach	Audit Office (Internal)	September 2011 to March 2016	Member	2
Ms Clea Lewis	External	May 2014 to May 2018	Member	5
Ms Elizabeth Cusack	Audit Office (Internal)	August 2014 to June 2016	Member	4
Mr David O'Toole	Audit Office (Internal)	March 2016 to March 2018	Member	2
Mr Jonathan Brown	Audit Office (Internal)	June 2016 to June 2018	Member	1

Source: Audit Office records

The Auditor-General, Dr Maxine Cooper and Chief Audit Executive, Mr Ajay Sharma have a standing invitation to attend all Audit and Review Committee Meetings as observers.

In 2015-16, two internal members Mr Tim Larnach and Ms Elizabeth Cusack completed their term on the Committee and the Committee welcomed two new members Mr David O'Toole and Mr Jonathan Brown.

The main activities of the Committee in 2015-16 were to:

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

The Audit and Review Committee undertook three audits in 2015-16. These are discussed in A.5.1.1, A.5.1.2 and A.5.1.3.

A.5.1.1 Assessment of the internal audit function

The Audit Office engaged the Institute of Internal Auditors Australia (IAA) to undertake a Quality Assessment of the Audit Office's internal audit function. This review was conducted in an independent manner and assessed whether the operations of the Audit Office's internal audit function met the requirements of the Internal Auditing Standards.

The IAA found the Audit Office's internal audit was operating effectively and the internal audit services provided to the Audit Office generally achieved the expectations of the Auditor-General, Audit and Review Committee, and Senior Executives. Some improvements to administration of the function were identified, including the appointment of a Chief Audit Executive. These improvements were implemented soon after the completion of the audit in July 2015.

The Audit Office was also found to comply with the Internal Auditing Standards and the Institute of Internal Auditor's Code of Ethics.

A.5.1.2 Review of the performance audit program

The Audit Office publishes a performance audit program in June each year. This program includes information on audits that are currently underway, audits planned for the following year and proposed topics for the two out years. This program is prepared in accordance with the *Auditor-General Act 1996* and is prepared via consultation with the key stakeholders.

An internal audit was undertaken in March 2016 to review the Audit Office's compliance with its legislation, to review the clarity of its performance audit program selection process and to conclude whether the topics selected for the annual performance audit program 'promote accountability'.

This review was undertaken by Mr Bob Sendt, a former Auditor-General of NSW and Tasmania, from Bob Sendt & Associates who formed a view that the Audit Office has sound policies and processes in place to:

- ensure it meets its legislative obligations in preparing and publishing its annual performance audit program,
- allow effective consultation with key stakeholders, and
- develop a program that promotes public accountability.

Mr Sendt also made a number of recommendations to assist the Audit Office in addressing changes to enhance its selection process for the performance audits. The suggestions for improvement were made through amending the Performance Audit Methods and Practices (PAMPr) document. These improvements were implemented in the performance audit program for 2016-17 and potential audits to commence over 2017-18 to 2018-19 that was released in June 2016.

A.5.1.3 Audit of the implementation of the Remuneration Guide

The Audit Office implemented the *Remuneration Guide 2014* (the Remuneration Guide), developed under the *ACTPS Administrative and Related Classifications Enterprise Agreement 2013- 2017* (Enterprise Agreement 2013-2017). The Remuneration Guide provides a practical guidance on how to implement sections of the Enterprise Agreement 2013-2017 that are relevant to the remuneration of staff members in the Audit Office.

The internal auditor, O'Connor Marsden & Associates, found that the Remuneration Guide was implemented without error.

Further information can be obtained from:

Mr Ajay Sharma	Chief Audit Executive	(02) 6207 0830	ajay.sharma@act.gov.au
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A.6 Fraud prevention

The Audit Office's *Fraud and Corruption Prevention Plan* minimises the risk of fraud and corruption. Other policies addressing fraud and corruption prevention included the *Audit Office's Integrity Code, Asset Management Policy and Procedures, Acceptable Access and Use of Information and Communication Technology Resources Policy and Guidelines, Privacy of Information Policy and Personnel Delegations*.

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

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

No fraudulent activity or lack of compliance with fraud prevention procedures and guidelines was identified during 2015-16.

Further information can be obtained from:

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

A.7.1 Workplace safety representatives

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

In 2015-16, the Audit Office had two Workplace Safety Representatives, two Fire Wardens and two First Aid Officers.

Improving awareness of workplace health and safety issues

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

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

Sharing the workload

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

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

Workstation – staff practices and assessments

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

The Audit Office has height-adjustable workstations for ten staff allowing these staff to stand at their workstations while working on their computers.

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

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

Health and well-being initiatives

In 2015-16, the Audit Office continued to invite guest speakers to attend staff meetings and give presentations on health and well-being. Other initiatives included making available publications and materials on health and well-being to all staff.

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

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

Other support available to staff include access to:

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

Legislative compliance

In 2015-16, no enforceable undertaking and improvement, prohibition, or non-disturbance notices were issued to the Audit Office under the parts 10 and 11 of the *Work Health and Safety Act 2011*.

There were no accidents or dangerous occurrences in 2015-16 that required a notice under Part 3, section 38 of the *Work Health and Safety Act 2011*.

Social club

The Staff Social Club facilitated a number of social events during 2015-16, many of which generated funds that have supported charitable causes. The Club is fully funded by staff and run by a small committee.

Further information can be obtained from:

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

A.8.1 Workforce planning

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

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

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

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

Table A.6: Staff movements

Staff movements	2013-14	2014-15	2015-16
Number of staff at the beginning of the year	42	39	42
Add: Recruitment	7	15	9
Less: Departures	(10)	(12)	(13)
Number of staff at the end of the year	39	42	38
Staff turnover <i>including</i> contract staff	24%	31%	31%
Staff turnover <i>excluding</i> contract staff	15%	21%	26%

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

Table A.6 indicates, the staff turnover rate remains significant which requires the Audit Office to conduct recruitment activities and engage contractors on a short-term basis to assist in the completion of the financial and performance audit programs.

Staff departures in 2015-16 included retirements, officers resigning to accept promotions or move interstate. The contracts of several short-term contractor expired which meant these staff departed. The staff attrition rate is lower when adjusted for departures relating to staff on short-term contracts.

A.8.2 Forward work and human resource planning

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

The Audit Office considers the need for contracting staff or using a consultancy from the private sector or outsourcing some or part of an audit, particularly when the Audit Office does not have specialist skills required to complete the audit – such as information technology, actuarial and taxation expertise.

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

Further information can be obtained from:

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

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

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

In 2015-16, staff time spent on learning and development activities averaged five days per staff member plus an additional five days per staff member for eight staff who accessed study leave. Expenditure on external training courses including studies assistance was approximately \$38 000 with the total cost of the learning and development activities including staff time totalling approximately \$330 000.

Technical training was provided on financial and performance audit method and training on changes to accounting standards. Management training covered training on resilience, power of feedback and emergency response training.

The Audit Office encourages membership of relevant professional bodies, such as the Institute of Chartered Accountants in Australia or CPA Australia. In 2015-16, the Audit Office supported 15 staff in studying for tertiary or professional qualifications.

Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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A.8.4 Staffing profile

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

There were 38 staff employed in the Audit Office (including the Auditor-General) at 30 June 2016 (37.6 full-time equivalent (FTE) staff).

The small size of the Audit Office's workforce means that providing detailed information on some aspects of the Audit Office's workforce could infringe on the privacy of individual staff. Therefore, the Audit Office has only provided general information on:

- the average length of service by gender and age group;
- the age profile of staff; and

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

A.8.4.1 Full-time equivalent staff and head count

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

	Female	Male	Total
Full-time equivalent	18.6	19	37.6
Headcount	19	19	38
Percentage of workforce (based on headcount)	50%	50%	100%

Source: Shared Services Human Resources and Audit Office records

A.8.4.2 Classification groups

Table A.8: Head count by classification and gender

Classification	Female	Male	Total
Statutory office holder	1	0	1
Executives	0	2	2
Professional and administrative officers	18	17	35
Total	19	19	38

Source: Shared Services Human Resources and Audit Office records

A.8.4.3 Employment category by gender

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

Employment category	Female	Male	Total
Permanent part-time	2	0	2
Permanent full-time	10	14	25
Temporary full-time	7	5	11
Temporary part-time	0	0	0
Casual	0	0	0
Total	19	19	38

Source: Shared Services Human Resources and Audit Office records

A.8.4.4 Average length of service

The average length of service for staff in the Audit Office is 5.0 years with 6.3 years for males and 3.8 years for females.

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

Gender	Female	Male	Total
Average length of service	3.8	6.3	5.0

Source: Shared Services Human Resources and Audit Office records

Table A.10 shows that the average length of service for staff in the Audit Office is less than six years. Most of these staff (55 percent) fall in the category of ‘Generation Y’ (i.e. born in or after 1980).

Staff that have been with the Audit Office for periods of between six to ten years (24 percent) are evenly distributed across the age spectrum.

Staff who have been with the Audit Office for ten or more years (8 percent) are mostly ‘baby boomers’ (born 1946 to 1964) or ‘Generation X’ (born 1965 to 1979).

A.8.4.5 Age profile

Due to the small numbers in most categories, staff numbers by age group and gender are not reported in order to protect the privacy of individuals.

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

A.8.4.6 Agency profile

Table A.11: Full-time equivalent and headcount by division/branch

Operational area	FTE	Headcount
Executive	3	3
Financial Audits	20.8	21
Performance Audits	9.8	10
Professional Services	4	4
Total	37.6	38

Source: Shared Services Human Resources and Audit Office records

Table A.12: Head count by operational area and employment type

Operational area	Permanent	Temporary	Casual
Executive	0	3	0
Financial Audits	16	5	0
Performance Audits	6	4	0
Professional Services	4	0	0
Total	26	12	0

Source: Shared Services Human Resources and Audit Office records

A.8.4.7 Equity and workplace diversity

Staff who have advised they are from culturally and linguistically diverse backgrounds represent 50 percent of the workforce. Staff who have indicated they have a disability are also part of the workforce. No staff member has advised that they are Aboriginal or Torres Strait Islander. The Audit Office provided Attraction and Retention Incentive (ARin) to one staff member in 2015-16.

Table A.13: Recruitment and separation rates by operational area

Operational area	Recruitment rate	Separation rate
Financial Audits	29.6%	17.8%
Performance Audits	0%	18.7%
Professional Services	0%	7.7%
Audit Office	17.7%	21.2%

Source: Shared Services Human Resources and Audit Office records

Table A.14: Recruitment and separation rates by classification group

Classification	Recruitment rate	Separation rate
Professional officers	17.7%	21.2%
Audit Office	17.7%	21.2%

Source: Shared Services Human Resources and Audit Office records

Further information can be obtained from:

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

The Audit Office accords with, and contributes to, the principles of ecologically sustainable development (ESD) as per the *Environment Protection Act 1997* in the following manner.

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

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

The Audit Office also:

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

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

Table A.15: Audit Office staff and floor area

Staff and area	Unit	2014-15	2015-16	Percentage change
Staff	FTE	40.9	37.6	(8%)
Workplace floor area	Area (m ²)	500	500	0%

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

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

The Audit Office had 37.6 FTE staff at 30 June 2016 compared to 40.9 FTE staff at 30 June 2015 as recruitment was still underway to fill positions for staff that departed in second half of the year.

The amount floor space occupied by the Audit Office remained unchanged from the prior year.

Data on resource usage

The Environment and Planning Directorate (EPD) manages reporting of sustainability data for ACT Government agencies and entities. EPD has provided the data on electricity usage for 2014-15 and 2015-16 shown in Table A.16.

Table A.16: Stationary energy usage

Stationary energy usage	Unit	2014-15	2015-16	Percentage change
Electricity use	Kilowatt hours	39 533	38 964	(1.4%)

Source: Environment and Planning Directorate

The electricity usage of the Audit Office was slightly lower in 2015-16 compared with the prior year.

Table A.17: Transport fuel usage

Transport fuel usage	Unit	2014-15	2015-16	Percentage change
Total number of vehicles	Number	1	1	0%
Total kilometres travelled	Kilometres	4 185	2 707	(35%)
Fuel use – Petrol	Kilolitres	0.26	0.17	(35%)

Source: Audit Office records

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

During 2015-16, approximately 2 707 kilometres were travelled for business purposes. The kilometres travelled for business purposes are lower than in the prior year due to 'one-off' business travel to Sydney in the prior year to attend meetings relating to the Australasian Council of Auditors-General. In addition, on average less travel was undertaken for work purposes in 2015-16 compared to 2014-15.

Fuel use for business purposes is estimated by apportioning total fuel use on the basis of kilometres driven. The reduction in fuel use is consistent with the decrease in kilometres travelled.

Table A.18: Water usage

Water usage	Unit	2014-15	2015-16	Percentage change
Water use	Kilolitres	270	254	(6%)

Source: Building owner

Water use is estimated from the total use of water in the building apportioned by floor space occupied by the Audit Office.

The amount of water used for the whole building in 2015-16 is slightly lower than in 2014-15.

Table A.19: Resource efficiency and waste

Resource efficiency and waste indicators	Unit	2014-15	2015-16	Percentage change
Reams of paper purchased	Reams	476	476	0%
Recycled content of paper purchased	Percentage	63%	13%	79%
Waste to landfill	Litres	Not known	Not known	-
Co-mingled material recycled	Litres	5 880	Not known	-
Paper and cardboard recycled (including secure paper)	Litres	19 200	18 720	(2.5%)
Organic material recycled	Litres	5 050	5 050	0%
Total material recycled	Litres	30 130	23 770	(21%)

Source: OfficeMax and Audit Office records

The Audit Office's resource management practices did not change in 2015-16. The Audit Office continued to try to minimise the use of paper by practices such as scanning and emailing documents and using electronic audit work papers. As Table A.19 shows, the Audit Office had twenty one percent less total material recycled mainly due to less paper and cardboard recycled in 2015-16 than in 2014-15.

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

The Audit Office participates in the ACTSmart Business Recycling Program, under which general waste is sorted into organic material, recyclable material and non-recyclable material.

The volume of material recycled reduced by some twenty one percent from 30 310 litres in 2014-15 to 23 770 litres in 2015-16, in part because of reduced use of paper.

The Audit Office cannot estimate:

- the amount of paper recycled, as it is collected for recycling in the same container as cardboard;
- ‘waste to landfill’, as no records of the Audit Office’s waste are maintained by the contract cleaners employed by the property manager; and
- ‘co-mingled material recycled’, as no records of the Audit Office are maintained by the contract cleaners employed by the property manager from May 2015.

Table A.20: Greenhouse gas emissions

Greenhouse gas emissions	Unit	2014-15	2015-16	Percentage change
Emissions from stationary energy use	Tonnes CO ₂ -e	37.41	34.36	(8.2%)
Emissions from transport total	Tonnes CO ₂ -e	0.66	0.42	(36.4%)
Total emissions	Tonnes CO₂-e	38.07	34.78	(8.7%)

Source: Environment and Planning Directorate

The Audit Office’s estimated total emissions in 2015-16 were slightly lower than in 2014-15 due mainly to a reduction in travel as noted in Table A.17 on page 61.

Further information can be obtained from:

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

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

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

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

No disclosures were received in 2015-16 relating to the Audit Office and its operations. Four disclosures were received relating to other ACT public sector entities (refer to Table A.21 on page 64). Of the three disclosures received in 2014-15 and reported in last year’s annual report two were closed in 2015-16.

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

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

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

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

- identifying or appointing appropriate officer(s) to undertake an impartial and fair investigation into the information;
- providing ongoing advice to the Auditor-General on the actions taken to investigate the disclosure;
- deciding if further action should be undertaken through the use of procedures for investigating unethical or inappropriate behaviours, as set out in *Public Sector Management Act 1994* and related standards, or through the relevant enterprise agreement; and
- advising the Auditor-General on corrective action to be taken to prevent the disclosable conduct continuing or occurring in the future and disciplinary options for any person responsible for the disclosable conduct.

Table A.21: Characteristics of public interest disclosures in 2015-16

<p>Number of public interest disclosures received and relevant public interest disclosure criteria.</p>	<p>Four: Education Directorate – grounds for disciplinary action; Land Development Agency – grounds for disciplinary action; Housing ACT – grounds for disciplinary action; Chief Minister, Treasury and Economic Development Directorate – maladministration.</p>
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Type of public interest disclosure under Section 8(1) of the PID Act – Note 1.	<p>Three public interest disclosures were received relating to section 8(1)(a)(ii) of the PID Act:</p> <p>Education Directorate – grounds for disciplinary action; Land Development Agency – grounds for disciplinary action; Housing ACT – grounds for disciplinary action.</p> <p>One public interest disclosure was received relating to section 8(1)(b)(i) and/or (iii) of the PID Act:</p> <p>Chief Minister, Treasury and Economic Development – maladministration.</p>
Number of public interest disclosures referred by other agencies.	None. (Note two public interest disclosures referred to other agencies for investigation were referred back to the Audit Office).
Number of public interest disclosures investigated by the Audit Office.	Two: Education Directorate – grounds for disciplinary action; Land Development Agency – grounds for disciplinary action.
Number of public interest disclosures referred to other ACT Government agencies for investigation.	Four: Education Directorate – grounds for disciplinary action; Land Development Agency – grounds for disciplinary action; Housing ACT – grounds for disciplinary action; Chief Minister, Treasury and Economic Development Directorate – maladministration. The public interest disclosures referred to the Education Directorate and Land Development Agency were referred back to the Audit Office.
Number of public interest disclosures on which the Audit Office has declined to act under Section 20 of the PID Act.	None.
Average time taken for completed public interest disclosure investigation.	2015-16: 159 calendar days. 2014-15: 137 calendar days (relating to two PIDs closed in 2015-16).
Number of public interest disclosures substantiated by investigation.	One: Education Directorate (only one aspect of the disclosure was substantiated).

Source: Audit Office records

Note 1

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

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

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

A: Performance reporting

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

One public interest disclosure, received in 2014-15, relating to section 8(1)(a)(i) of the PID Act, was investigated by the Audit Office and closed in 2015-16. This matter related to potential fraud by a staff member of the ACT Public Trustee. The ACT Public Trustee was informed of the assertions and requested that the ACT Audit Office investigate the matter. No fraud was identified through the investigation. The Commissioner for Public Administration and the ACT Public Trustee were kept informed by the Audit Office.

One public interest disclosure, received in 2014-15, relating to section 8(1)(a)(ii) of the PID Act, was referred to the Health Directorate. The matter was investigated and closed in March 2016, with no inappropriate practices being substantiated.

In 2015-16 the Audit Office received four public interest disclosures, as shown in Table A.21.

Public interest disclosures relating to section 8(1)(a)(ii):

- one was investigated by the Audit Office. Part of the disclosure related to an area of record keeping in the Education Directorate which was found to be below standard and possibly indicative of a systemic issue. The Education Directorate has undertaken to address the issues raised. Other aspects of the disclosure were not substantiated;
- one, relating to land development, has been closed under section 20(g) of the PID Act and addressed through a performance audit; and
- one, relating to contract management practices, was investigated by Housing ACT. This was addressed through an alternative resolution process.

There was one public interest disclosure relating to section 8(1)(b)(i) and/or (iii). This was referred to the Chief Minister, Treasury and Economic Development Directorate but that agency could not be provided with information that would allow it to consider the matter. The matter is being addressed as part of a performance audit.

Further information can be obtained from:

Dr Maxine Cooper	Auditor-General	(02) 6207 0833	maxine.cooper@act.gov.au
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A.11 Freedom of information

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

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

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

In February 2016, the *Freedom of Information Regulation 1991* was amended to exempt the Audit Office's audit functions from requests for information under the FoI Act. This change brings the ACT in line with exemption available to Audit Offices in other jurisdictions.

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

The Audit Office received one FoI request during 2015-16.

A.11.1 Section 7 statement

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

A.11.1.1 Organisation, functions and decision-making powers

Details of the Audit Office's functions, operations and decision-making arrangements are included in Section A.1 (pages 3 to 13) of this report.

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

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

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

The Audit Office holds the following categories of documents:

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

Further information can be obtained from:

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

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

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

A.11.3 Section 79 statement

In 2015-16 the Audit Office received one request for access to documents under the FoI Act. The decision relating to this request is currently pending. During this process the applicant requested an internal review of a decision under section 59 of the FoI Act.

The applicant however did not ask for amendments of records under section 48 of the FoI Act.

Further information can be obtained from:

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

B.1 Financial management analysis

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

Table B.1: Financial results

	2013-14 Actual \$ 000	2014-15 Actual \$ 000	2015-16 Actual \$ 000	2015-16 Budget \$ 000
INCOME				
Financial audit fees	3 807	3 854	3 719	4 029
Appropriation	2 625	2 701	2 759	2 759
Other income	213	138	192	90
Gains	-	24	-	-
Total income	6 645	6 717	6 670	6 878
EXPENSES				
Employee expenses	4 364	4 535	4 686	4 947
Supplies and services	1 918	2 324	2 055	1 904
Depreciation	97	162	10	127
Other expenses	3	23	-	-
Total expenses	6 382	7 045	6 751	6 978
Operating surplus/(deficit)	263	(327)	(82)	(100)

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

Source: Audit Office's audited financial statements

B.1.1 Income

Total income largely consists of *financial audit fees* and *appropriation*. *Financial audit fees* are charged for auditing financial statements and reviewing statements of performance of reporting agencies.

When charging *financial audit fees*, the Audit Office seeks to recover the costs of completing its annual program of financial audits. The cost of financial audits depends on the number and complexity of financial audits, accounting and reporting requirements, adequacy of financial reporting systems, governance arrangements and internal controls implemented by reporting agencies and the cost of using contractors and consultants (e.g. accounting, information technology, actuarial and taxation experts) to assist in completing audits.

Further information on the setting of *financial audit fees* is provided in Appendix A on pages 177 to 184.

Appropriation funding is used to meet the costs of performance audits, responding to representations and public interest disclosures, providing briefings and submissions to Legislative Assembly committees (in particular, the Public Accounts Committee), providing technical advice to agencies on accounting and reporting matters, and reporting the results of the annual program of financial audits.

Some costs are funded by both *financial audit fees* and *appropriation*. These include the production of the Audit Office's annual report, learning and development programs for staff, and other administrative expenses associated with a professional office such as accommodation and information technology costs.

B.1.1.1 Income compared to budget estimates

Total income (\$6.670 million) was slightly less than budgeted (\$6.878 million) by \$208 000 (3.0 percent). This was mainly due to *financial audit fees* being less than the budget estimate by \$310 000 (7.7 percent); partially offset by higher than expected *other income* of \$102 000 (113.3 percent) largely from the receipt of unbudgeted legal services received free of charge from the ACT Government Solicitor's Office and workers' compensation insurance recoveries.

B.1.1.2 Income compared to previous year's income

Total income (\$6.670 million) was consistent with the previous year's amount (\$6.717 million) with *financial audit fees* and *appropriation* being close to prior year amounts.

B.1.1.3 Trends in income

Table B.2: Trends in income

	2015-16 Actual \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000	2019-20 Budget \$ 000
INCOME					
Financial audit fees	3 719	4 025	4 105	4 188	4 272
Appropriation	2 759	2 857	2 898	2 947	2 966
Other income	192	60	60	60	60
Total income	6 670	6 942	7 063	7 195	7 298

Source: Audit Office's audited 2015-16 financial statements and ACT Budget 2016-17 Budget Statements

Total income is estimated to increase by \$628 000 (an average increase of 2.4 percent per annum) from 2015-16 to 2019-20. This mainly consists of an estimated increase in:

- *financial audit fees* of \$553 000 (an average increase of 3.7 percent per annum); and
- *appropriation* of \$207 000 (an average increase of 1.9 percent per annum).

Budget estimates for *total income* from 2016-17 to 2019-20 have been prepared on the assumption that there will be no major changes to the:

- size and complexity of the annual program of financial audits; and
- planned number of performance audits (seven performance audits per annum).

Other income is expected to decrease in 2016-17 as budget estimates from 2016-17 to 2018-19 for *other income* only include estimates for interest income. These estimates do not include amounts for:

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

B.1.2 Expenses

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

B.1.2.1 Expenses compared to budget estimates

Total expenses (\$6.751 million) were slightly less than budgeted (\$6.978 million) by \$227 000 (3.3 percent). This was mainly due to lower than estimated *employee expenses* of \$261 000 (5.3 percent) and *depreciation* of \$117 000 (92.3 percent). These were partially offset by higher than budgeted *supplies and services* expenses of \$151 000 (7.9 percent). Each of these costs is considered below.

Employee expenses in 2015-16 were \$261 000 (5.3 percent) less than the budget estimate. The estimate is based on the assumption that the budgeted number of staff (39) would be maintained in 2015-16. Delays in replacing departing performance and financial audit staff meant that the budgeted number (39) was unable to be maintained. The average number of full-time equivalent staff in 2015-16 was 37.

Depreciation expenses were less than the budgeted cost by \$117 000 (92.1 percent). The higher budgeted cost was due to an upwards valuation of the office fit-out on 30 June 2014 and the expected short term to the expiry of the lease which was due to expire on 31 October 2015. The term of the accommodation lease was subsequently extended in 2015-16 from 1 November 2015 to 31 October 2020. Depreciation charged in relation to the office fit-out was therefore reduced to reflect the longer estimated useful life of the office fit-out.

Supplies and services costs exceeded the budgeted cost by \$151 000 (7.9 percent) due mainly to the unbudgeted cost of:

- using contractors and consultants on financial audits. This occurred where recruitment activities were unable to replace departing financial audit staff;
- legal services received free of charge from the ACT Government Solicitor's Office; and
- the strategic review of the Audit Office.

B.1.2.2 Expenses compared to previous year's expenses

Total expenses (\$6.751 million) decreased by \$294 000 (4.2 percent) from the prior year cost (\$7.045 million). This reduction was mainly due to lower *supplies and services* expenses of \$269 000 (11.6 percent) and *depreciation* of \$152 000 (93.8 percent). These were partially offset by higher *employee expenses* of \$151 000 (3.3 percent). Each of these costs is considered below.

Supplies and services expenses decreased by \$269 000 (11.6 percent) due mainly to a reduction in the cost of contractors and consultants of \$405 000 (28.1 percent) from \$1.444 million in 2014-15 to \$1.039 million in 2015-16. The lower costs were partially offset by the cost of the Strategic Review of the Audit Office (\$66 000) and an increase in legal services received free of charge from the ACT Government Solicitor's Office (\$48 000).

Depreciation decreased significantly from the prior year amount by \$152 000 (93.8 percent) for the reasons outlined in B.1.2.1 on page 74.

Employee expenses in 2015-16 exceeded the costs incurred in 2014-15 by \$151 000 (3.3 percent). This was mainly due to salary increases provided under the enterprise agreement and higher salary costs resulting from implementing higher duties arrangements while senior staff were on leave.

B.1.2.3 Trends in expenses

Table B.3: Trends in expenses

	2015-16 Actual \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000	2019-20 Budget \$ 000
Employee expenses	4 686	4 937	5 036	5 137	5 239
Supplies and services	2 055	2 208	2 042	2 082	2 125
Depreciation	10	10	10	10	10
Total expenses	6 751	7 155	7 088	7 229	7 374

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

Source: Audit Office's 2015-16 audited financial statements and ACT Budget 2016-17 Budget Statements

Total expenses are estimated to increase by \$623 000 (an average increase of 2.3 percent per annum) from 2015-16 to 2019-20. This mostly consists of an estimated increase in employee expenses of \$553 000 (an average increase of 3.0 percent per annum).

The budget estimates for *total expenses* from 2016-17 to 2019-20 are based on the assumption that:

- the budgeted number of staff is maintained over these financial years. The expected increase of \$251 000 (5.4 percent) in *employee expenses* in 2016-17 reflects the budget assumption that the salary savings generated by departing staff in 2015-16 do not occur in 2016-17; and
- there will be no major changes to the size and complexity of the financial audit program and the planned number of performance audits (seven performance audits per annum).

B.1.3 Operating results

B.1.3.1 Operating result compared to the budgeted operating result

The Audit Office's *operating deficit* (\$82 000) was slightly less than the budgeted *operating deficit* (\$100 000) with *total income* and *total expenses* being slightly less than budgeted amounts.

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

The Audit Office's *operating deficit* (\$82 000) for 2015-16 was less than the *operating deficit* (\$327 000) in 2014-15. The lower *operating deficit* largely resulted from a decrease in *total expenses* of \$294 000 (4.2 percent).

Table B.4: Trends in operating results

	2015-16 Actual \$ 000	2016-17 Budget \$ 000	2017-18 Budget \$ 000	2018-19 Budget \$ 000	2019-20 Budget \$ 000
Operating deficit	(82)	(213)	(25)	(34)	(76)

Source: Audit Office's audited 2015-16 financial statements and ACT Budget 2016-17 Budget Statements

Consistent with the cost recovery nature of its operations, the Audit Office estimates that it will continue to incur small operating deficits from 2016-17 to 2019-20.

B.1.4 Financial position

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

Table B.5: Current financial position

At 30 June	Actual 2014 \$ 000	Actual 2015 \$ 000	Actual 2016 \$ 000	Budget 2016 \$ 000
Current assets	3 748	3 801	3 569	4 025
Current liabilities	1 832	1 977	1 818	2 096
Net current assets	1 916	1 824	1 751	1 929
Current ratio	2.05	1.92	1.96	1.92

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

Source: Audit Office's audited 2015-16 financial statements and ACT Budget 2016-17 Budget Statements

The current financial position at 30 June 2016 was similar to the budgeted and prior year positions.

The Audit Office had sufficient assets to meet its current liabilities as there was \$1.96 in current assets available to meet each dollar of current liabilities at 30 June 2016.

Table B.6: Long-term financial position

At 30 June	Actual 2014 \$ 000	Actual 2015 \$ 000	Actual 2016 \$ 000	Budget 2016 \$ 000
Current assets	3 748	3 801	3 569	4 025
Total liabilities	2 033	2 164	2 004	2 332
Net long-term financial position	1 715	1 637	1 565	1 693
Ratio of current assets to total liabilities	1.84	1.76	1.78	1.73

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

Source: Audit Office's audited 2015-16 financial statements and ACT Budget 2016-17 Budget Statements

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

B: Financial management reporting

The long-term financial position at 30 June 2016 was similar to the budgeted and prior year positions.

The Audit Office has sufficient assets to meet its liabilities as there was \$1.78 in *current assets* available to meet each dollar of *total liabilities* at 30 June 2016.

Further information can be obtained from:

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

ACT AUDIT OFFICE

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying financial statements for the Audit Office for the year ended 30 June 2016, consisting of the:

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

fairly reflect the financial operations of the Audit Office for the year ended 30 June 2016 and financial position of the Audit Office on that date.

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

Dr Maxine Cooper
Auditor-General

8 August 2016

ACT AUDIT OFFICE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the accompanying financial statements for the ACT Audit Office for the year ended 30 June 2016, consisting of the:

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

have been prepared in accordance with generally accepted accounting principles, are in agreement with the Audit Office's accounts and records, and fairly reflect the financial operations of the Audit Office for the year ended 30 June 2016 and financial position of the Audit Office on that date.



Bernie Sheville FCA
Chief Finance Officer

8 August 2016

Audit Opinion



INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of the ACT Audit Office, which comprises the balance sheet as at 30 June 2016, operating statement, statement of changes in equity, cash flow statement, statement of appropriation for the year ended 30 June 2016 and notes comprising significant accounting policies and other explanatory information.

Auditor-General's Responsibility for the Financial Statements

The Auditor-General is responsible for the preparation of financial statements that give a true and fair view in accordance with the Australian Accounting Standards and *the Financial Management Act 1996*. The responsibility includes establishing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Audit Opinion (Continued)



INDEPENDENT AUDITOR'S REPORT OF THE ACT AUDIT OFFICE FOR
THE YEAR ENDED 30 JUNE 2016

Opinion

In our opinion, the financial statements of the ACT Audit Office is in accordance with the *Financial Management Act 1996*, including:

- i. giving a true and fair view of the financial position as at 30 June 2016 and of its performance for the year ended 30 June 2016; and
- ii. complying with Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1996*.

Anthony Wilson CA
Registered Company Auditor

Dated this 8th day of August 2016

ACT AUDIT OFFICE

OPERATING STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note No.	Actual 2015-16 \$ 000	Budget* 2015-16 \$ 000	Actual 2014-15 \$ 000
INCOME				
<i>Revenue</i>				
Financial audit fees	5	3 719	4 029	3 854
Appropriation (See Note (a) below)		2 759	2 759	2 701
Other income	6	192	90	138
Total revenue		6 670	6 878	6 693
<i>Gains</i>				
Gain on de-recognition of a finance lease liability	7	-	-	24
Total gains		-	-	24
Total income		6 670	6 878	6 717
EXPENSES				
Employee expenses	8	4 686	4 947	4 535
Supplies and services	9	2 055	1 904	2 324
Depreciation	10	10	127	162
Other expenses	11	-	-	23
Total expenses		6 751	6 978	7 045
Operating deficit		(82)	(100)	(327)
Total comprehensive deficit		(82)	(100)	(327)

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

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

ACT AUDIT OFFICE

OPERATING STATEMENT (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2016

Comparison of 2015-16 financial results to 2015-16 budget estimates

The Audit Office's *operating deficit* (\$82 000) was slightly less than the budgeted *operating deficit* (\$100 000) with *total income* and *total expenses* being slightly less than budgeted amounts.

Total income (\$6.670 million) was slightly less than budgeted (\$6.878 million) by \$208 000 (3.0 percent). This was mainly due to *financial audit fees* being less than the budget estimate by \$310 000 (7.7 percent); partially offset by higher than expected *other income* of \$102 000 (113.3 percent) largely from the receipt of unbudgeted *legal services received free of charge from the ACT Government Solicitor's Office* and *workers' compensation insurance recoveries*.

Further information on *financial audit fees* and *other income* is provided in Note 5: 'Financial Audit Fees' and Note 6: 'Other Income'.

Total expenses (\$6.751 million) were slightly less than budgeted (\$6.978 million) by \$227 000 (3.3 percent). This was mainly due to lower than estimated *employee expenses* of \$261 000 (5.3 percent) and *depreciation* of \$117 000 (92.3 percent). These were partially offset by higher than budgeted *supplies and services* expenses of \$151 000 (7.9 percent).

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

Comparison of 2015-16 financial results to 2014-15 financial results

The Audit Office's *operating deficit* (\$82 000) for 2015-16 was less than the *operating deficit* (\$327 000) in 2014-15.

The lower *operating deficit* largely resulted from a decrease in *total expenses* of \$294 000 (4.2 percent). This reduction was due to lower *supplies and services* costs of \$269 000 (11.6 percent) and *depreciation* of \$152 000 (93.8 percent). These were partially offset by higher *employee expenses* of \$151 000 (3.3 percent).

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

ACT AUDIT OFFICE

BALANCE SHEET
AS AT 30 JUNE 2016

	Note No.	Actual 2016 \$ 000	Budget* 2016 \$ 000	Actual 2015 \$ 000
ASSETS				
Current assets				
Cash	12	2 119	2 555	1 851
Receivables	13	1 433	1 459	1 937
Asset held for sale		-	11	-
Other assets	14	17	-	12
Total current assets		3 569	4 025	3 801
Non-current assets				
Plant and equipment	15	43	21	53
Total non-current assets		43	21	53
Total assets		3 613	4 046	3 854
LIABILITIES				
Current liabilities				
Payables	16	210	205	310
Finance leases	17	-	15	-
Employee benefits	18	1 608	1 876	1 667
Total current liabilities		1 818	2 096	1 977
Non-current liabilities				
Finance leases	17	-	14	-
Employee benefits	18	123	160	125
Other liabilities	19	63	62	63
Total non-current liabilities		186	236	187
Total liabilities		2 004	2 332	2 164
NET ASSETS		1 608	1 714	1 690
EQUITY				
Accumulated funds		1 438	1 544	1 519
Asset revaluation surplus	20	170	170	170
TOTAL EQUITY		1 608	1 714	1 690

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

Year ended 30 June 2016	Accumulated Funds Actual 2015-16 \$ 000	Asset Revaluation Surplus Actual 2015-16 \$ 000	Total Equity Actual 2015-16 \$ 000	Budget* 2015-16 \$ 000
Balance at 1 July 2015	1 519	170	1 690	1 814
<i>Comprehensive surplus/(deficit)</i>				
Operating deficit	(82)	-	(82)	(100)
<i>Total comprehensive deficit</i>	(82)	-	(82)	(100)
Transactions involving owners affecting accumulated funds				
Capital injections	-	-	-	-
Total transactions involving owners affecting accumulated funds	-	-	-	-
Balance at 30 June 2016	1 438	170	1 608	1 714

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

ACT AUDIT OFFICE

STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

Year ended 30 June 2015	Accumulated Funds Actual 2014-15 \$ 000	Asset Revaluation Surplus Actual 2014-15 \$ 000	Total Equity Actual 2014-15 \$ 000
Balance at 1 July 2014	1 779	170	1 950
<i>Comprehensive surplus/(deficit)</i>			
Operating deficit	(327)	-	(327)
Increase in the asset revaluation surplus	-	-	-
<i>Total comprehensive deficit</i>	(327)	-	(327)
Transactions involving owners affecting accumulated funds			
Capital injections	67	-	67
Total transactions involving owners affecting accumulated funds	67	-	67
Balance at 30 June 2015	1 519	170	1 690

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

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

ACT AUDIT OFFICE

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2016

	Note No.	Actual 2015-16 \$ 000	Budget* 2015-16 \$ 000	Actual 2014-15 \$ 000
CASH FLOWS FROM OPERATING ACTIVITIES				
RECEIPTS				
Financial audit fees		4 088	4 099	3 359
Appropriation		2 759	2 759	2 701
Interest received		67	89	92
Goods and Services Tax collected from auditees		409	327	423
Goods and Services Tax refunded from the Australian Taxation Office		71	60	242
Other receipts		59	-	26
Total receipts from operating activities		7 453	7 334	6 843
PAYMENTS				
Employee payments		(4 680)	(4 692)	(4 475)
Payments for supplies and services		(2 084)	(2 239)	(2 275)
Goods and Services Tax paid on goods and services		(182)	(203)	(241)
Goods and Services Tax remitted to the Australian Taxation Office		(239)	(82)	(349)
Total payments from operating activities		(7 185)	(7 216)	(7 340)
Net cash inflows/(outflows) from operating activities	(a)	268	118	(497)

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

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

ACT AUDIT OFFICE

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**Comparison of 2015-16 financial results to 2015-16 budget estimates**

Net cash inflows from operating activities (\$268 000) exceeded the budget estimate (\$118 000) by \$150 000 (127.1 percent). This resulted from slightly higher than estimated *total receipts from operating activities* of \$119 000 (1.6 percent) and slightly lower than estimated total payments from operating activities of \$31 000 (less than 1 percent).

Comparison of 2015-16 financial results to 2014-15 financial results

Net cash inflows from operating activities (\$268 000) were generated in 2015-16 compared to *net cash outflows from operating activities* (\$497 000) in 2014-15. This was mainly due to an increase in *financial audit fees* of \$729 000 (21.7 percent) and a decrease in *payments for supplies and services* of \$191 000 (8.4 percent) partially offset by higher *employee payments* of \$205 000 (4.6 percent).

The increase in *financial audit fees* of \$729 000 (21.7 percent) mainly reflects the later billing of fees for financial audit in the period up until 30 June 2015. This resulted in audit fees being collected in 2015-16 that would otherwise have been received in 2014-15.

The decrease in *payments for supplies and services* of \$191 000 (8.4 percent) largely reflects a decreased use of contractors and consultants in 2015-16 to assist in the completion of performance and financial audit programs.

The increase in *employee payments* of \$205 000 (4.6 percent) mainly reflects pay rises provided under the enterprise agreement, increase use of higher duties arrangements while senior staff were on leave and the payment of annual leave and long service leave liabilities to departing staff.

ACT AUDIT OFFICE

CASH FLOW STATEMENT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016

	Note No.	Actual 2015-16 \$ 000	Budget* 2015-16 \$ 000	Actual 2014-15 \$ 000
CASH FLOWS FROM INVESTING ACTIVITIES				
RECEIPTS				
Proceeds from sale of plant and equipment		-	-	11
Total receipts from investing activities		-	-	11
PAYMENTS				
Payments for plant and equipment		-	-	(4)
Total payments from investing activities		-	-	(4)
Net cash inflows from investing activities		-	-	7
CASH FLOWS FROM FINANCING ACTIVITIES				
RECEIPTS				
Capital injections		-	-	67
Total receipts from investing activities		-	-	67
PAYMENTS				
Payment of finance leases		-	(28)	(4)
Total payments from financing activities		-	(28)	(4)
Net cash (outflows)/inflows from financing activities		-	(28)	63
Net increase/(decrease) in cash		268	90	(427)
Cash at the beginning of the reporting period		1 851	2 465	2 279
Cash at the end of the reporting period	(b)	2 119	2 555	1 851

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

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

ACT AUDIT OFFICE

STATEMENT OF APPROPRIATION
FOR THE YEAR ENDED 30 JUNE 2016

	2015-16 Budget*	2015-16 Total Appropriated	2015-16 Appropriation Drawn	2014-15 Appropriation Drawn
	\$ 000	\$ 000	\$ 000	\$ 000
Appropriation	2 759	2 759	2 759	2 701
Capital injections	-	-	-	67
Total appropriation	2 759	2 759	2 759	2 768

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

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

* Budget amounts disclosed above are sourced from 2015-16 Budget Statements.

Appropriation funding received by the Audit Office in 2015-16 (\$2.759 million) exceeded the amount received in 2014-15 (\$2.701 million) by \$58 000 (2.1 percent). This increase resulted from the annual indexation of the 2014-15 appropriation.

A capital injection of \$67 000 was received in 2014-15 to meet the cost of 27 pay periods instead of the normal 26 pay periods.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

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ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

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ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

1. Objectives of the Audit Office

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

2. Significant Accounting Policies

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

(a) Basis of Preparation

(i) Application of Generally Accepted Accounting Principles

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

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

The Audit Office is an individual reporting entity.

(ii) Accrual Accounting

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

(iii) Historical Cost Convention

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(a) Basis of Preparation (Continued)****(iii) Historical Cost Convention (Continued)**

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

(iv) Significant Accounting Estimates and Judgements

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

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

(v) Functional and Presentation Currency

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

(vi) The Reporting Period

The financial statements present the Audit Office's financial performance, changes in equity and cash flows for the year ended 30 June 2016 and financial position at 30 June 2016.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)

(b) Comparatives

(i) Budget Information

The *Financial Management Act 1996* requires the financial statements to facilitate a comparison with the Budget Papers. Budget figures contained in the 2015-16 Budget Statements are included in these financial statements to allow easy comparison to these Budget Papers.

(ii) Prior Year Comparatives

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

(c) Rounding

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

(d) Revenue Recognition

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

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

(i) Appropriation

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(d) Revenue Recognition (Continued)****(ii) Financial Audit Fees**

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

(iii) Interest

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

(iv) Workers' Compensation Insurance Recoveries

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

(e) Cash

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)

(f) Receivables

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

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

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

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(g) Plant and Equipment****(i) Acquisition and Recognition of Plant and Equipment**

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

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

(ii) Measurement of Plant and Equipment after Initial Recognition

Plant and equipment consists of office fit-out. The office fit-out is measured at fair value.

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

An independent valuation of the office fit-out is performed every three years. As the fit-out was last valued at 30 June 2014, the next valuation is due to be performed at 30 June 2017.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)**(g) Plant and Equipment (Continued)****(iii) Depreciation**

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

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

The office fit-out is depreciated over its useful lives or the unexpired period of the relevant leases, whichever is the shorter period.

Depreciation of plant and equipment is estimated as follows:

Class of Asset	Period of the Lease
Office fit-out	4 years

(h) Impairment

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(i) Payables**

Payables represent liabilities for goods and services provided to the Audit Office before the end of the reporting period that are unpaid. Payables are initially recognised at the fair value based on the transaction costs and at amortised cost subsequent to initial recognition.

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

(j) Employee Benefits

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

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

(i) Wages and Salaries

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

(ii) Annual and Long Service Leave

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)

(j) Employee Benefits (Continued)

(ii) Annual and Long Service Leave (Continued)

At the end of each reporting period, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the timing of the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. The rate used to estimate the present value of future payments for annual leave was 101.4 percent at 30 June 2016 (101.0 percent at 30 June 2015).

The rate used to estimate the present value of future payments for long service leave was 114.7 percent at 30 June 2016 (104.2 percent at 30 June 2015). The use of a higher rate resulted in an increase of \$84 000 in the long service leave liability and related expense.

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

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

Information about this estimate is also provided in Note 2(m): 'Significant Estimates and Accounting Judgements'.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(j) Employee Benefits (Continued)****(ii) Annual and Long Service Leave (Continued)**

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the Audit Office has an unconditional right to defer the settlement of the liability until the employee has completed the required years of service.

(iii) Superannuation**Defined Benefit Superannuation Schemes**

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)

(j) Employee Benefits (Continued)

(iii) Superannuation (Continued)

Other Superannuation Schemes

Superannuation payments are also made to other superannuation schemes. These include the Public Sector Superannuation Scheme Accumulation Plan and schemes chosen by an employee. These superannuation schemes are accumulation plans.

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

(k) Leases

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

(i) Finance Leases

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

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

The discount rate used to calculate the present value of the minimum lease payments is the interest rate implicit in the lease. Assets under a finance lease are depreciated on a straight-line basis over the shorter of the asset's useful life and lease term. The depreciation is calculated after first deducting any residual values which remain for each leased asset.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(k) Leases (Continued)****(i) Finance Leases (continued)**

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

Changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet in 2014-15. As a result, from 23 April 2015 all motor vehicle leases were reclassified from finance leases to operating leases.

Motor vehicles under a finance lease classified as Property, Plant and Equipment (under the previous finance lease arrangements with SG Fleet) were derecognised and the associated loss on the de-recognition of the motor vehicles under a finance lease was recorded as Other Expenses for 2014-15. (Refer to Note 11: 'Other Expenses').

The corresponding finance lease liability (current and non-current) was also derecognised and the associated gain from the de-recognition of this liability was recorded as 'a Gain' in 2014-15. (Refer to Note 7: 'Gains').

(ii) Operating Leases

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

2. Significant Accounting Policies (Continued)

(l) Other Liabilities - Provision for Make Good

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

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

(m) Significant Estimates and Accounting Judgements

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

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

(i) Receivables - Accrued Financial Audit Income

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****2. Significant Accounting Policies (Continued)****(m) Significant Estimates and Accounting Judgements (Continued)****(ii) Employee Benefits**

The estimated liability for annual and long service leave requires a consideration of the future wage and salary levels, experience of employee departures, probability that leave will be taken while in service and periods of service. The estimate also includes an assessment of the probability that employees will meet the minimum service period required to qualify for long service leave and on-costs will become payable. The present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity and currency that match, as closely as possible, the timing or the estimated future cash flows. The judgements and assumptions included in the estimation of annual and long service leave liabilities are determined by an actuary. The Australian Government Actuary performed this assessment in 30 June 2014. The assessment by an actuary is performed every five years, however, it may be performed more frequently if there is an indication that the judgements and assumptions used to estimate the liability are no longer appropriate.

The next actuarial review is expected to be undertaken by 30 June 2019. Further information on this estimate is provided in Note 2(j)(ii): 'Employee Benefits'.

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

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

5. Financial Audit Fees

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
General Government Sector	2 434	2 430
Public Trading Enterprises	580	637
Other	704	788
Total financial audit fees	3 719	3 854

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

Financial audit fees in 2015-16 decreased slightly by \$135 000 (3.5 percent) from the fees earned in 2014-15.

Comparison to Budget	Actual 2015-16 \$ 000	Budget 2015-16 \$ 000
Financial audit fees	3 719	4 029
Total financial audit fees	3 719	4 029

Financial audit fees in 2015-16 were less than the budget estimate by \$310 000 (7.7 percent) due mainly to audit fees being overestimated in the budget.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

6. Other Income

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Workers' compensation insurance recoveries	59	29
Interest	67	92
Legal services received free of charge from the ACT Government Solicitor's Office	66	18
Total other income	192	138

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

Other income increased by \$54 000 (39.1 percent) due to an increase in *legal services received free of charge from the ACT Government Solicitor's Office* of \$48 000 (266.7 percent) and *worker's compensation insurance recoveries* of \$30 000 (103.4 percent).

The increase in *legal services received free of charge from the ACT Government Solicitor's Office* mainly reflects the increased use of legal advice on:

- a complex freedom of information request made under the *Freedom of Information Act 1989*; and
- the operation of *Auditor-General Act 1996* in relation to performance audits.

The increase in *workers' compensation insurance recoveries* reflects the progress of individual compensation cases, decisions made by the insurer (Comcare) and timing of those decisions.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

6. Other Income (Continued)

Comparison to Budget	Actual 2015-16 \$ 000	Budget 2015-16 \$ 000
Other income	192	90
Total other income	192	90

Other income exceeded the budgeted amount by \$102 000 (113.3 percent) due largely to unbudgeted income from *legal services received free of charge from the ACT Government Solicitor's Office* and *workers' compensation insurance recoveries* as referred to previously in this note.

7. Gains

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Gain on de-recognition of a finance lease liability	-	24
Total gains	-	24

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

A *gain on the de-recognition of lease liability* was recorded in 2014-15 due to whole-of-government arrangements for leased motor vehicles, changing from finance lease to an operating lease on 23 April 2015.

Refer to Note 2(k): 'Leases' for more information on this change.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

8. Employee Expenses

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Salaries	3 942	3 791
Superannuation	587	547
Annual leave	22	(1)
Long service leave	52	141
Fringe Benefits Tax	9	13
Motor vehicle running costs	9	5
Borrowing costs on finance leases – motor vehicles	-	1
Workers' compensation insurance premium	65	38
Total employee expenses	4 686	4 535

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

Employee expenses in 2015-16 exceeded the costs incurred in 2014-15 by \$151 000 (3.3 percent). This was mainly due to salary increases provided under the enterprise agreement and higher salary costs resulting from implementing higher duties arrangements while senior staff were on leave. The *average number of full-time equivalent staff* in 2015-16 (37.1) was slightly below the average number in 2014-15 (37.8).

Comparison to Budget	Actual 2015-16 \$ 000	Budget 2015-16 \$ 000
Employee expenses	4 686	4 947
Total employee expenses	4 686	4 947

Employee expenses in 2015-16 were \$261 000 (5.3 percent) less than the budget estimate. The estimate is based on the assumption that the budgeted number of staff (39) would be maintained in 2015-16. Delays in replacing departing performance and financial audit staff meant that the budgeted number (39) was unable to be maintained in 2015-16. The *average number of full-time equivalent staff* in 2015-16 was 37.1.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

9. Supplies and Services

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Contractors and consultants:		
– Performance audits	281	553
– Financial audits	693	775
– Other (See Note (a) below)	65	115
Sub-total	1 039	1 444
Accommodation lease	243	256
Information technology	302	284
Training	38	51
Printing	22	25
Payroll and recruitment processing	21	20
Recruitment and advertising costs	61	44
Electricity, gas and cleaning	25	32
Telephones	14	14
Travel	13	12
Library journals and subscriptions	22	25
Security	11	12
Insurance	8	8
Audit fees	10	13
Strategic Review of the Audit Office	66	-
Legal services received free of charge from the ACT Government Solicitor's Office	66	18
Other	94	68
Sub-total	1 016	881
Total supplies and services	2 055	2 324

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

Note (a) The 2014-15 figures for *contractors and consultants* were amended from those presented in the audited 2014-15 financial statements with \$77 000 being reclassified from *contractors and consultants – other* to *contractors and consultants - Financial audits*. This reclassification was made because these expenses were payments made to a professional services firm for audit contractors used on financial audits.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

9. Supplies and Services (Continued)

Supplies and services costs decreased by \$269 000 (11.6 percent) due mainly to a lower cost of *contractors and consultants* of \$405 000 (28.1 percent) from \$1.444 million in 2014-15 to \$1.039 million in 2015-16. There was a decrease in the use of contractors and consultants

- on selected performance audits to complete audit fieldwork, quality control reviews and provide advice where subject matter experts needed;
- on financial audits to assist in the completion of the financial audit program; and
- to assist in the review of Audit Office policies and procedures, conducting internal audits and investigations.

These lower costs were partially offset by the cost of the *Strategic Review of the Audit Office* (\$66 000) and an increase in *legal services received free of charge from the ACT Government Solicitor's Office* (\$48 000).

Refer to Note 21: 'Remuneration of the Strategic Reviewer and the Auditors' and Note 6: 'Other Income' for more information.

Comparison to Budget	Actual 2015-16 \$ 000	Budget 2015-16 \$ 000
Supplies and services	2 055	1 904
Total supplies and services	2 055	1 904

Supplies and services costs exceeded the budgeted cost by \$151 000 (7.9 percent) due mainly to the unbudgeted cost of:

- using contractors and consultants on financial audits. This occurred where recruitment activities were unable to replace departing financial audit staff;
- *legal services received free of charge from the ACT Government Solicitor's Office*; and
- the *Strategic Review of the Audit Office*.

These costs are explained above in this note.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

10. Depreciation

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Office fit-out	10	158
Motor vehicle under a finance lease	-	4
Total depreciation	10	162

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

Depreciation expenses decreased by \$152 000 (93.8 percent). The higher prior year cost was due to an upwards valuation of the *office fit-out* on 30 June 2014 and the expected short term to the expiry of the lease which was due to expire on 31 October 2015.

The term of the accommodation lease was subsequently extended in 2015-16 from 1 November 2015 to 31 October 2020. *Depreciation* charged in relation to the *office fit-out* was therefore reduced to reflect the longer useful life of the *office fit-out*.

Comparison to Budget	Actual 2015-16 \$ 000	Budget 2015-16 \$ 000
Depreciation	10	127
Total depreciation	10	127

Depreciation expenses were less than the budgeted cost by \$117 000 (92.1 percent) due mainly to the reasons outlined above in this note.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

11. Other Expenses

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Loss on derecognition of a motor vehicle under a finance lease	-	23
Total other expenses	-	23

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

A loss on de-recognition of a motor vehicle under a finance lease was recorded in 2014-15 due to whole-of-government arrangement for leased motor vehicles changing from a finance lease to an operating lease on 23 April 2015.

Refer to Note 2(k): 'Leases' for more information on this change.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

12. Cash

	Actual 2016 \$ 000	Actual 2015 \$ 000
Cash at bank	2 119	1 851
Total cash	2 119	1 851

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

Bank represents cash held with Westpac Bank. Cash at bank earned an average floating interest rate of 2.0 percent in 2015-16 (2.9 percent in 2014-15).

Bank funds may be withdrawn upon request.

Total cash increased by \$268 000 (14.5 percent) due to the Audit Office generating *net cash inflows from operating activities* of \$268 000 in 2015-16.

Refer to the Cash Flow Statement for more information.

Comparison to Budget	Actual 2016 \$ 000	Budget 2016 \$ 000
Cash	2 119	2 555
Total cash	2 119	2 555

Total cash was \$436 000 (17.1 percent) lower than the budget estimate. This was due mainly to a lower than estimated cash balance at the beginning of the reporting period. The lower cash balance was mainly a result of lower than anticipated receipts being collected from financial audit fees in 2014-15.

Refer to the Cash Flow Statement for more information.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

13. Receivables

	Actual 2016 \$ 000	Actual 2015 \$ 000
Invoiced financial audit debtors (i)	56	1 573
Accrued financial audit income (ii)	1 353	343
Sub-total	1 409	1 916
Other receivables	-	21
Goods and Services Tax net receivable (iii)	24	-
Sub-total	24	21
Total receivables	1 433	1 937

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

13. Receivables (Continued)

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

Total receivables decreased by \$504 000 (26.0 percent) due mainly to the earlier billing and collection of cash relating to audits of financial statements with a year ended 31 December 2015 compared to the billing of audits of financial statements with a year ended 31 December 2014.

Comparison to Budget	Actual 2016 \$ 000	Budget 2016 \$ 000
Receivables	1 433	1 459
Total receivables	1 433	1 459

Total receivables at 30 June 2016 were consistent with the budget estimate.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

13. Receivables (Continued)

	Not Overdue \$ 000	Overdue			Total \$ 000
		Less than 30 Days \$ 000	30 to 60 Days \$ 000	Greater than 60 Days \$ 000	
At 30 June 2016					
Not impaired					
Receivables	1 377	42	-	14	1 433
Impaired					
Receivables	-	-	-	-	-
At 30 June 2015					
Not impaired					
Receivables	1 937	-	-	-	1 937
Impaired					
Receivables	-	-	-	-	-

Receivables that were overdue by less than 30 days of \$42 000 (UCU Ltd) and overdue by greater than 60 days of \$14 000 (Canberra Business Development Fund) were collected on 7 July 2016 and 27 July 2016 respectively.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

13. Receivables (Continued)

Receivables with ACT Government Entities	2016	2015
	\$ 000	\$ 000
Invoiced financial audit debtors	-	1 260
Accrued financial audit income	1 132	272
Fringe Benefit Tax receivables	-	-
Other receivables	-	21
Sub-total	1 132	1 553
Less: Allowance for impairment	-	-
Total receivables with ACT Government entities	1 132	1 553
Receivables with Non-ACT Government Entities		
Invoiced financial audit debtors	56	313
Accrued financial audit income	221	71
Goods and Services Tax net receivable	24	-
Sub-total	301	384
Less: Allowance for impairment	-	-
Total receivables with Non-ACT Government entities	301	384
Total receivables	1 433	1 937

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

14. Other Assets

	Actual 2016 \$ 000	Actual 2015 \$ 000
Prepayments	17	12
Total other assets	17	12

15. Plant and Equipment

	Actual 2016 \$ 000	Actual 2015 \$ 000
Office fit-out (at fair value)	211	211
Less: Accumulated depreciation	(168)	(158)
Sub-total	43	53
Total plant and equipment	211	211
Less: Accumulated depreciation	(168)	(158)
Total plant and equipment	43	53

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

The office fit-out is measured at fair value. An independent valuation of the office fit-out was performed by Rodney Hyman Asset Services Pty Ltd at 30 June 2014.

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Plant and Equipment (Continued)

Reconciliation of the Movements in the Carrying Amounts of Plant and Equipment	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Office fit-out		
Carrying amount at the beginning of the reporting period	53	207
Additions	-	4
Revaluation increment as a result of an increase in the estimated fair value of the office fit-out (Note 20: 'Asset Revaluation Surplus')	-	-
Depreciation (Note 10: 'Depreciation')	(10)	(158)
Carrying amount at the end of the reporting period	43	53

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

Refer to Note 10: 'Depreciation' for information on the decrease in *depreciation*.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Plant and Equipment (Continued)

Reconciliation of the Movements in the Carrying Amounts of Plant and Equipment (Continued)	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Motor vehicle under a finance lease		
Carrying amount at the beginning of the reporting period	-	28
De-recognition of finance lease - motor vehicle	-	(23)
Depreciation	-	(4)
Carrying amount at the end of the reporting period	-	-

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

Fair Value Hierarchy

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

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

Details of plant and equipment at fair value and information about the Fair Value Hierarchy as at 30 June 2016 and 30 June 2015 are provided in the table on the following page.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

15. Plant and Equipment (Continued)

Plant and Equipment at Fair Value	Classification According to Fair Value Hierarchy			Total \$ 000
	Level 1	Level 2	Level 3	
	\$ 000	\$ 000	\$ 000	
2016				
Office fit-out	-	-	43	43
	-	-	43	43
2015				
Office fit-out	-	-	53	53
	-	-	53	53

Transfers between Categories

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

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

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

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

Office Fit-out	Actual 2016 \$ 000	Actual 2015 \$ 000
Fair value at the beginning of the reporting period	53	207
Additions	-	4
Depreciation (Note 10: 'Depreciation')	(10)	(158)
Fair value at the end of the reporting period	43	53

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

Information about Significant Unobservable Inputs (Level 3) in Fair Value Measurements			
Description	Fair Value as at 30 June		Significant Unobservable Inputs
	2016	2015	
	\$ 000	\$ 000	
Valuation Technique: Optimised depreciated replacement cost*			
Office fit-out	43	53	Physical obsolescence (useful life)

* Where a market price cannot be obtained for an asset, because the asset is specialised and rarely sold, fair value is measured using the estimated cost of replacing the service capacity ('optimised depreciated replacement cost') for that asset.

The estimated cost of replacing the service capacity of an asset will equal the estimated replacement cost of the asset where the service capacity of the asset would be replaced if the Audit Office were to be deprived of it.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

16. Payables

	Actual 2016 \$ 000	Actual 2015 \$ 000
Creditors and accruals	210	244
Goods and Services Tax – net payable (i)	-	65
Total payables	210	310

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

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

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

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

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

As disclosed in Note 13: 'Receivables' there was a net amount receivable from the Australian Taxation Office at 30 June 2016.

Total payables decreased by \$100 000 (32.3 percent) due mainly to a net payable for Goods and Services Tax not being owed to the Australian Taxation Office at 30 June 2016.

As disclosed in Note 13: 'Receivables' there was a net amount receivable from the Australian Taxation Office at 30 June 2016.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

16. Payables (Continued)

Comparison to Budget	Actual 2016 \$ 000	Budget 2016 \$ 000
Payables	210	205
Total payables	210	205

Total Payables were consistent with the budgeted amount.

Aging of Payables	Actual 2016 \$ 000	Actual 2015 \$ 000
Not overdue	210	244
Overdue for less than 30 days	-	-
Overdue for 30 to 60 days	-	-
Overdue for more than 60 days	-	-
Total payables	210	244

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

16. Payables (Continued)

Payables with ACT Government Entities	Actual 2016 \$ 000	Actual 2015 \$ 000
Creditors and accruals	33	73
Total payables with ACT Government entities	33	73
Payables with Non-ACT Government Entities		
Creditors and accruals	177	171
Goods and Services Tax – net payable (i)	-	65
Total payables with Non-ACT Government entities	177	237
Total payables	210	310

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

17. Finance Leases

	Actual 2016 \$ 000	Actual 2015 \$ 000
Current - due at the reporting date	-	-
Non-current - not due at the reporting date	-	-
Total finance leases	-	-

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

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

There were no liabilities for finance leases at 30 June 2016 and 30 June 2015.

As disclosed in Note 2(k)(i) 'Finance Leases', changes were made to the whole-of-government motor vehicle leasing arrangements with SG Fleet in 2014-15. As a result, from 23 April 2015 all motor vehicle leases were reclassified from finance leases to operating leases.

Comparison to Budget	Actual 2016 \$ 000	Budget 2016 \$ 000
Current - due at the reporting date	-	15
Non-current - not due at the reporting date	-	14
Total finance leases	-	29

The 2015-16 budget estimates were prepared before the changes to the whole-of-government motor vehicle leasing arrangements referred to above were known.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

18. Employee Benefits

	Actual 2016 \$ 000	Actual 2015 \$ 000
Current - due at the reporting date		
Accrued salaries	34	169
Salary packaging expenses	3	3
Annual leave	654	632
Long service leave	917	863
Sub-total	1 608	1 667
Non-current - not due at the reporting date		
Long service leave	123	125
Sub-total	123	125
Total employee benefits	1 732	1 792

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

Total *employee benefits* decreased by \$60 000 (3.3 percent). This was mainly due to:

- the transfer of staff and their *annual leave* and *long service leave* liabilities to other ACT Government agencies;
- the payment of *annual leave* and *long service leave liabilities* owed to departing staff; and
- a decrease in *accrued salaries* as there were fewer days between the end of the last pay day in 2015-16 and the end of the reporting period (one day) compared to the days owing at the end of the previous period (9 days).

This was partially offset by an increase in *long service leave* liabilities due to the use of a higher rate to estimate the present value of long service leave payments. The rate used to estimate the present value of future payments for long service leave was 114.7 percent at 30 June 2016 compared to 104.2 percent at 30 June 2015. The use of a higher rate resulted in an increase in the long service leave liability and related expense of \$84 000.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

18. Employee Benefits (Continued)

Comparison to Budget	Actual 2016 \$ 000	Budget 2016 \$ 000
Employee benefits - current	1 608	1 876
Employee benefits - non-current	123	160
Total employee benefits	1 732	2 036

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

Total *employee benefits* was less than the budgeted amount by \$304 000 (14.9 percent). This was due mainly to:

- the transfer of staff and their *annual leave* and *long service leave* liabilities to other ACT Government agencies; and
- the payment of *annual leave* and *long service leave liabilities* owed to departing staff.

As disclosed in Note 2(j): 'Employee Benefits' these liabilities are classified as current where there is no unconditional right to defer the settlement of the liabilities for at least 12 months, irrespective of when the liability is expected to be settled.

Information on employee benefits estimated to be payable within 12 months and after 12 months is disclosed on the following page.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

18. Employee Benefits (Continued)

For Information Purposes Only	Actual 2016 \$ 000	Actual 2015 \$ 000
Estimated amount payable within 12 months		
Accrued salaries	34	169
Salary packaging expenses	3	3
Annual leave	315	327
Long service leave	28	8
Sub-total	380	507
Estimated amount payable after 12 months		
Annual leave	340	305
Long service leave	1 012	980
Sub-total	1 352	1 285
Total employee benefits	1 732	1 792

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

Staffing Levels

The *number of full-time equivalent staff* at 30 June 2016 was 37.6 compared to 40.1 at 30 June 2015.

The *average number of full-time equivalent staff* was 37.1 in 2015-16 compared to 37.8 in 2014-15.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

19. Other Liabilities

	Actual 2016 \$ 000	Actual 2015 \$ 000
Non-current		
Provision for make good	63	63
Total other liabilities	63	63

The provision for make-good was estimated by Rodney Hyman Asset Services Pty Ltd at 30 June 2014.

	Actual 2016 \$ 000	Actual 2015 \$ 000
Reconciliation of the Provision for Make Good		
Balance at the beginning of the reporting period	63	63
Balance at the end of the reporting period	63	63

	Actual 2016 \$ 000	Budget 2016 \$ 000
Comparison to Budget		
Non-current		
Provision for make good	63	62
Total other liabilities	63	62

The estimated cost of returning the premises occupied by the Audit Office to a similar condition to that which existed prior to the occupancy in the event the Audit Office were to leave the premises was consistent with the budget estimate.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

20. Asset Revaluation Surplus

	Actual 2016 \$ 000	Actual 2015 \$ 000
Balance at the beginning of the reporting period	170	170
Balance at the end of the reporting period	170	170

21. Remuneration of the Strategic Reviewer and the Auditors**a. Remuneration of the Strategic Reviewer**

An independent reviewer (Mr Des Pearson) was selected by the Speaker of the Legislative Assembly to conduct a strategic review of the Audit Office. As disclosed in Note 9: 'Supplies and Services' the Audit Office paid \$66 245 for this review.

After the completion of the strategic review, Mr Pearson was engaged to assist in resolving the amount to be paid to a supplier and was paid \$3 052 excluding GST for this work.

Mr Pearson did not provide other services to the Audit Office.

b. Remuneration of the Auditors

An independent auditor (Charterpoint Pty Ltd) was selected by the Speaker of the Legislative Assembly to conduct an audit of the Audit Office's 2015-16 financial statements and a review of the Audit Office's 2015-16 statement of performance.

In previous years, the auditor (PKF Chartered Accountants and Business Advisors) was selected by the Chief Minister, Treasury and Economic Development Directorate.

The auditors' remuneration for 2015-16 is \$10 455 excluding GST (2014-15: \$12 500 excluding GST).

These auditors did not provide other services to the Audit Office.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

22. Commitments**Operating Lease Commitments**

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

	Actual 2016 \$ 000	Actual 2015 \$ 000
Not later than one year	453	279
Later than one year and not later than five years	1 162	436
Later than five years	2	-
Total operating lease commitments	1 618	716

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

Most information technology equipment is under four-year leases and accommodation is under a five-year lease with four years remaining.

The significant increase of \$902 000 (126.0 percent) in *operating lease commitments* resulted from the extension of term of the accommodation lease from 31 October 2015 to 31 October 2020.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

22. Commitments (Continued)**Other Commitments**

Other commitments to contractors including GST are as follows.

	Actual 2016 \$ 000	Actual 2015 \$ 000
Not later than one year	831	323
Later than one year and not later than five years	1 870	-
Later than five years	-	-
Total other commitments	2 701	323

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

The significant increase in *other commitments* of \$2.378 million (736.2 percent) results from the Audit Office entering into a contract with an audit service provider for financial audits.

The minimum period of the contract is three years with the option to extend by one year for a further two years.

23. Contingent Liabilities

There were no contingent liabilities at 30 June 2016 or at 30 June 2015.

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

No act of grace payments were made during in 2015-16 or 2014-15.

(b) Waivers

Under the *Financial Management Act 1996*, the Treasurer may, in writing, waive the right to payment of an amount owing to the Audit Office. A waiver results in the relinquishment of a legal claim to an amount owed to the Office. No waivers of public monies were made during in 2015-16 or 2014-15.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****24. Act of Grace Payments, Waivers, Write-Offs and Impairment Losses
(Continued)****(c) Write-Offs and Impairment Losses**

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

There were no write-offs or impairment losses incurred in 2015-16 or 2014-15.

25. Financial Instruments

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

(a) Interest Rate Risk

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

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

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

The Audit Office is exposed to movements in the amount of interest it may earn on cash. As the Audit Office's operating cash flows are not significantly dependant on interest earned from cash, a sensitivity analysis of the interest rate risk has not been performed.

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

25. Financial Instruments (Continued)

(b) Credit Risk Exposure

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

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

Cash is held with a high credit quality financial institution.

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

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

(c) Liquidity Risk

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

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

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

25. Financial Instruments (Continued)**(d) Price Risk**

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

The Audit Office is not exposed to price risk.

(e) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Audit Office is not exposed to currency risk as all of its transactions are conducted in Australian dollars.

(f) Unrecognised Financial Assets and Financial Liabilities

There were no unrecognised financial assets or financial liabilities.

(g) Fair Values of Financial Assets and Financial Liabilities

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

	Note No.	Carrying 2016 \$ 000	Fair Value 2016 \$ 000	Carrying 2015 \$ 000	Fair Value 2015 \$ 000
Financial Assets					
Cash	12	2 119	2 119	1 851	1 851
Receivables	13	1 433	1 433	1 937	1 937
Total financial assets		3 552	3 552	3 789	3 789
Financial Liabilities					
Payables	16	210	210	310	310
Total financial liabilities		210	210	310	310

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

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

The following tables set out the Audit Office's maturity analysis for financial assets and financial liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period, as at 30 June 2016 and 30 June 2015. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

The Audit Office does not hold any collateral as security relating to its financial assets.

The Audit Office does not hold any financial assets that are past due or impaired.

At 30 June 2016	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing in One Year or Less	Fixed Interest Rate Maturing in One to Two Years	Non- Interest Bearing	Total
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Financial Assets						
Cash	2.0%	2 119	-	-	-	2 119
Receivables		-	-	-	1 433	1 433
Total financial assets		2 119	-	-	1 433	3 552
Financial Liabilities						
Payables		-	-	-	210	210
Finance leases		-	-	-	-	-
Total financial liabilities		-	-	-	210	210
Net financial assets		2 119	-	-	1 223	3 342

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

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

At 30 June 2015	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing in One Year or Less	Fixed Interest Rate Maturing in One to Two Years	Non- Interest Bearing	Total
	%	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Financial Assets						
Cash	2.9%	1 851	-	-	-	1 851
Receivables		-	-	-	1 937	1 937
Total financial assets		1 851	-	-	1 937	3 788
Financial Liabilities						
Payables		-	-	-	310	310
Finance leases		-	-	-	-	-
Total financial liabilities		-	-	-	310	310
Net financial assets		1 851	-	-	1 628	3 479

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

25. Financial Instruments (Continued)**(i) Carrying Amount of Each Category of Financial Asset and Financial Liability**

	Actual 2016 \$ 000	Actual 2015 \$ 000
Financial Assets		
Loans and receivables measured at amortised cost	1 433	1 937
Financial Liabilities		
Financial liabilities measured at amortised cost	210	310

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

The Audit Office does not have any financial assets in the 'available for sale' or held to maturity' category or any financial liabilities in the 'fair value through the operating statement' category.

There were no gains or losses on financial asset and liabilities.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

26. Cash Flow Reconciliation

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

	Actual 2015-16 \$ 000	Actual 2014-15 \$ 000
Operating deficit	(82)	(327)
Depreciation	10	162
Loss on derecognition of finance lease - motor vehicle	-	23
Gain on de-recognition of finance lease liability	-	(24)
Disposal of asset	-	(11)
Changes in assets and liabilities		
Decrease/(increase) in receivables	504	(500)
(Increase)/decrease in other current assets	(5)	20
(Decrease)/increase in payables	(100)	105
(Decrease)/Increase in employee benefits	(60)	55
Net cash inflows/(outflows) from operating activities	268	(498)

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

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

26. Cash Flow Reconciliation (Continued)

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

	Actual 2016 \$ 000	Actual 2015 \$ 000
Cash	2 119	1 851
Cash in the Cash Flow Statement and Balance Sheet	2 119	1 851

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

27. Related Party Disclosures

Australian Accounting Standard AASB 124: 'Related Party Disclosures' requires financial statements of private sector entities to disclose transactions that have taken place between the key management personnel of an entity and parties that are related to these personnel.

Key management personnel are those persons that have the authority and responsibility for planning, directing and controlling the activities of the entity.

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

The Audit Office's key management personnel are those on the Audit Office's Executive Committee.

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

27. Related Party Disclosures (Continued)

The remuneration of the Audit Office's senior executive positions - Auditor-General, Director, Performance Audits and Director, Financial Audits and Chief Finance Officer is determined by the ACT Remuneration Tribunal and tabled in the Assembly.

The remuneration of the Audit Office's non-executive positions - Principal, Financial Audits, Principal, Performance Audits and Principal, Professional Services is determined under the ACT Public Service Administrative and Related Classifications Enterprise Agreement 2013-2017.

2015-16		
Key Management Personnel	Position	Period in Position
Dr Maxine Cooper	Auditor-General	1 July 2015 to 30 June 2016
Mr Bernie Sheville	Acting Auditor-General	11 January 2016 to 5 February 2016
	Director, Financial Audits and Chief Finance Officer	1 July 2015 to 10 January 2016
		6 February 2016 to 30 June 2016
Mr Brett Stanton	Director, Performance Audits	1 July 2015 to 30 June 2016
Mr Malcolm Prentice	Acting Director, Financial Audits and Chief Finance Officer	8 July 2015 to 7 October 2015
	Principal, Financial Audits	1 July 2015 to 7 July 2015
		8 October 2015 to 8 January 2016
Mr Ajay Sharma	Acting Director, Financial Audits and Chief Finance Officer	18 January 2016 to 5 February 2016
	Principal, Professional Services	1 July 2015 to 17 January 2016
		6 February 2016 to 30 June 2016
Mr Robert Holbert	Principal, Performance Audits	28 January 2016 to 30 June 2016
Mr Tim Larnach	Acting Principal, Financial Audits	8 February 2016 to 29 June 2016
	Principal, Financial Audits	30 June 2016

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016**

27. Related Party Disclosures (Continued)

2014-15		
Key Management Personnel	Position	Period in Position
Dr Maxine Cooper	Auditor-General	1 July 2014 to 30 June 2015
Mr Bernie Sheville	Director, Financial Audits and Chief Finance Officer	1 July 2014 to 30 June 2015
Mr Brett Stanton	Director, Performance Audits	1 July 2014 to 30 June 2015
Mr Malcolm Prentice	Principal, Financial Audits	1 July 2014 to 30 June 2015
Mr Ajay Sharma	Principal, Professional Services	1 July 2014 to 30 June 2015

Remuneration of key management personnel is set out below:

Remuneration of Key Management Personnel	Actual 2015-16	Actual 2014-15
Below \$50 000		
\$50 000 to \$149 999	2	-
\$150 000 to \$159 999	-	-
\$160 000 to \$169 999	-	1
\$170 000 to \$179 999	-	-
\$180 000 to \$189 999	-	1
\$190 000 to \$199 999	1	-
\$200 000 to \$209 999	-	-
\$210 000 to \$219 999	-	-
\$220 000 to \$229 999	1	1
\$230 000 to \$239 999	-	1
\$240 000 to \$379 999	2	1
\$380 000 to \$389 999	-	-
\$390 000 to \$466 000	1	-
The aggregate of the remuneration for key management personnel	\$1 629 234	\$1 160 364

ACT AUDIT OFFICE

**Notes to and Forming Part of the Financial Statements
for the Year Ended 30 June 2016****27. Related Party Disclosures (Continued)**

The increase in remuneration of key management personnel was mainly due to the:

- inclusion of the Principal, Performance Audits in the Executive Committee in 2015-16;
- increased use of acting arrangements in 2015-16 while key management personnel were on leave; and
- accumulation of annual leave and long services leave liabilities owed to key management personnel in 2015-16 compared to 2014-15.

Mr Bernie Sheville was Acting Auditor-General and Director, Financial Audits and Chief Finance Officer during the reporting periods covered by these financial statements.

Mr Sheville's brother was a Director of Vincents Audit and Assurance (Vincents) during the reporting periods covered by these financial statements.

The following transactions with Vincents were conducted on an arm's length basis. Any potential conflict of interest regarding Mr Sheville was managed by ensuring Mr Sheville was not involved in the procurement process relating to the selection of any audit firms (including Vincents) that provide assistance in completing the financial audit program.

On 1 June 2015, the Audit Office entered into a contract with Vincents for the provision of an auditor to assist in completing 2014-15 financial audits. In 2015-16, the Audit Office paid \$54 000 (2014-15 \$85 000) (including GST) to Vincents for these services.

On 7 June 2016, the Audit Office entered into another contract with Vincents for the provision of an auditor after the end of the reporting period to assist in completing 2015-16 financial audits. The Audit Office estimates that the amount which will be paid in 2016-17 under this contract will be approximately \$37 000 including GST with a contingency for a further \$7 000 if required.

28. Events Occurring after Balance Date

There were no events after balance date.

B.3 Capital works

The Audit Office had no projects included in the Capital Works Program for 2015-16.

Further information can be obtained from:

Mr Bernie Sheville	Director, Financial Audits and Chief Finance Officer	(02) 6207 0821	bernie.sheville@act.gov.au
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B.4 Asset management

B.4.1 Assets managed

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

B.4.2 Asset maintenance and upgrade

No major asset upgrades were undertaken during 2015-16.

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

As disclosed in the Audit Office's financial statements, the office fit-out valuation included the estimated cost of returning the premises occupied by the Office to a similar condition to that which existed prior to the occupancy (\$63 000).

B.4.3 Accommodation

There was no change in office accommodation in 2015-16. At 30 June 2016, the Audit Office occupied 500 square metres at 11 Moore Street, Canberra City and had 31 workstations. This equates to approximately 16.1 square metres per workstation.

The ACT Government target space utilisation rate for workstations in 2014-15 was 15 square metres per workstation. The Audit Office's workstation utilisation rate of 16.1 metres is marginally higher than the target rate.

The Audit Office employed 42 staff at 30 June 2016. As the Audit Office only has 31 workstations, it employs a 'hot desking arrangement' whereby not all staff have a desk allocated to them. This is because many staff for most of the year work offsite at auditees' premises and it is unusual for all staff to be in the office at the same time.

Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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B.5 Statement of performance

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE YEAR ENDED 30 JUNE 2016

STATEMENT OF RESPONSIBILITY

In my opinion, the Statement of Performance is in agreement with the Audit Office's records and fairly reflects the operational performance of the Audit Office for the year ended 30 June 2016.

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

Dr Maxine Cooper
Auditor-General

8 August 2016

ACT AUDIT OFFICE

**STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2016**

STATEMENT BY THE CHIEF FINANCE OFFICER

In my opinion, the Statement of Performance is in agreement with the Audit Office's records and fairly reflects the operational performance of the Audit Office for the year ended 30 June 2016.

A handwritten signature in black ink, appearing to read 'B Sheville', is centered on a light gray rectangular background.

Bernie Sheville FCA
Chief Finance Officer

8 August 2016

Report of factual findings

charterpoint.

INDEPENDENT AUDITOR'S REPORT ON THE STATEMENT OF PERFORMANCE OF THE ACT AUDIT OFFICE FOR THE YEAR ENDED 30 JUNE 2016

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

Report of Factual Findings – ACT Audit Office Statement of Performance

We have reviewed the statement of performance of the ACT Audit Office for the year ended 30 June 2016. Based on the review findings, the statement of performance fairly reflects the performance of the ACT Audit Office.

Auditor-General's Responsibility for the Statement of Performance

The Auditor-General is responsible for the preparation of the statement of performance. The responsibility includes establishing internal controls and maintaining those controls and adequate supporting records used in preparation of the statement of performance. The controls and records are used to prevent and detect fraud and error and for the measurement of policies and estimates used in relation to the statement of performance.

Auditor's Responsibility

Our responsibility is to provide a report of factual findings on the accountability indicators included in the statement of performance.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional ethical pronouncements.

Reviewer's Responsibility

The review undertaken involved ensuring the information included in the statement of performance met requirements set out in the *Financial Management Act 1996* and could be substantiated by examination of supporting evidence.

The review undertaken did not include an assessment as to the relevance of the accountability indicators used within the statement of performance.

The review processes do not provide all the required evidence for an audit and as such the level of assurance is less than provided in an audit. Accordingly this is not supplied as an audit opinion on the statement of performance.



Anthony Wilson CA
Registered Company Auditor

Dated this 8th day of August 2016

ACT AUDIT OFFICE

**STATEMENT OF PERFORMANCE
YEAR ENDED 30 JUNE 2016**

The Audit Office provides independent reports to the Legislative Assembly and community on accountability, efficiency and effectiveness of the public sector; fosters accountability in the public administration of the Territory and promotes efficiency, effectiveness in the delivery of ACT Government services and programs.

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

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

Accountability indicators	Note No.	2015-16 Targets	2015-16 Actual results	Variance from target
Costs				
Audit cost per hour excluding audit contractor costs	1	\$149	\$146	(2%)
Quantity				
Number of audit reports issued on financial statements	2	66	65	(2%)
Number of reports of factual findings issued on statements of performance	3	28	27	(4%)
Number of performance audit reports presented to the Legislative Assembly	4	7	7	0%

The Speaker and Public Accounts Committee were advised of the Audit Office's accountability indicators and related targets on 23 April 2015.

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

ACT AUDIT OFFICE

STATEMENT OF PERFORMANCE (CONTINUED)
YEAR ENDED 30 JUNE 2016

Accountability indicators (continued)	Note No.	2015-16 Targets	2015-16 Actual results	Variance from target
Quality and effectiveness				
Percentage of agencies satisfied with financial audits	5	95%	100%	5%
Percentage of agencies satisfied with performance audits	6	95%	96%	1%
Percentage of recommendations accepted in financial audits*	7	95%	80%	(16%)
Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity	8	80%	91%	14%
Percentage of employees that are satisfied with working for the Audit Office	9	85%	87%	2%
Timeliness				
Percentage of financial audits completed within the required timetable	10	100%	85%	(15%)
Average period of completion of performance audits	11	7 months	9.7 months	39%
Presentation of the summary report on financial audits to the Legislative Assembly	12	December 2015	December 2015	0%

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

The Speaker and Public Accounts Committee were advised of the Audit Office's accountability indicators and related targets on 23 April 2015.

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

ACT AUDIT OFFICE

**Explanations Accompanying the Statement of Performance
Year Ended 30 June 2016**

Note 1. Audit cost per hour excluding audit contractor costs

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

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

The 2015-16 target of \$149 for audit cost per hour excluding audit contractor costs, is calculated as budgeted internal costs of \$6 121 101 (i.e. total budget expenses of \$6 995 000 less audit contractor costs of \$873 899) divided by the estimated number of hours charged to audits of 41 012 hours for 2015-16.

The estimated audit hours used to calculate the 2015-16 target (41 012) is calculated as the total standard hours for the budgeted number of full-time equivalent staff in 2015-16 (1 912 standard hours per full-time equivalent staff member multiplied by 39 full-time equivalent staff) multiplied by an average of the percentage of standard hours charged to audits during the last three financial years (57 percent in 2011-12, 54 percent in 2012-13 and 54 percent in 2013-14).

Actual audit costs per hour excluding audit contractor costs of \$146 was calculated as the actual internal costs of \$5 777 629 (i.e. actual total expenses of \$6 751 285 minus audit contractor costs of \$973 656) divided by the *actual number of hours charged to audits* for 2015-16 of 39 451 hours.

The audit cost per hour excluding audit contractor costs (\$146) was slightly below the targeted cost (\$149).

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 2. Number of audit reports issued on financial statements

This accountability indicator represents the number of audit reports issued on financial statements in 2015-16.

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

The number of audit reports issued on financial statements in 2015-16 (65) was slightly less than the 2015-16 target (66). The 2015-16 target included two audits that are no longer required to be performed. These were the:

- audit of the financial statements of the University of Canberra College Pty Limited; and
- acquittal audit of Commonwealth funding provided under the *Nation Building Program (National Land Transport) Act 2009* – Majura Parkway.

These were partially offset by the audit, for the first time, of financial statements for the ACT Veterinary Surgeon's Board.

A listing of the audit reports issued on financial statements during 2015-16 is provided later in this statement of performance.

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

This accountability indicator represents the number of reports of factual findings issued on statements of performance in 2015-16.

The number of reports of factual findings issued on statements of performance in 2015-16 (27) was one less than the 2015-16 target (28) because a review of a statement of performance for the ACT Electoral Commission was incorrectly included in the 2015-16 target when the Commission is not required to have a statement of performance under the *Financial Management Act 1996*.

A listing of the reports of factual findings issued on statements of performance during 2015-16 is provided later in this statement of performance.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 4. Number of performance audit reports presented to the Legislative Assembly

This accountability indicator represents the number of performance audit reports presented in the Legislative Assembly during 2015-16.

The targeted number of reports tabled in the Legislative Assembly was achieved with seven reports being presented to the Legislative Assembly in 2015-16. The reports were:

1. Public Transport: The Frequent Network (Report No. 9/2015);
2. Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016);
3. Maintenance of Public Housing (Report No. 2/2016);
4. ACT Policing Arrangement (Report No. 3/2016);
5. The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (Report No. 4/2016);
6. Initiation of the Light Rail Project (Report No. 5/2016); and
7. Management and Administration of Credit Cards by ACT Government Entities (Report No. 6/2016).

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 5. Percentage of agencies satisfied with financial audits

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

A survey of reporting agencies is conducted to rate their satisfaction with financial audits completed in 2015-16.

This percentage is calculated as the number of reporting agencies that provide a satisfactory or better rating in relation to financial audits completed during 2015-16 divided by the number of agencies that responded to the survey.

The Audit Office received survey responses from 41 (91 percent) of the 45 reporting agencies surveyed³. Four (9 percent) did not provide a response to the survey.

Satisfaction rating	Number of responses	%
<u>Satisfied</u>		
Very good	11	27
Good	18	44
Satisfactory	12	29
Sub-total	41	100
<u>Not satisfied</u>		
Poor	0	0
Very poor	0	0
Sub-total	0	0
Total	41	100

Source: Agency satisfaction surveys.

³ While 65 audits were completed in 2015-16, 45 satisfaction surveys were issued as some satisfaction surveys cover multiple audits (e.g. The Icon Water group, ActewAGL Joint Venture, Public Trustee for the ACT and ACT Public Cemeteries Authority). No surveys are sent in relation to the several small Commonwealth grant acquittal audits.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 5. Percentage of agencies satisfied with financial audits (continued)

The percentage of reporting agencies satisfied with financial audits (100 percent) exceeded the target (95 percent) with 71 percent (29 of 41) of respondents to the survey rating the Audit Office's performance as 'good' or 'very good'.

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

Officers from both agencies worked well together. This reflected in a good outcome from a financial report perspective.

Planning for the audit was good. Communication at all levels worked well and issues were raised early to enable satisfactory resolution. As a result the final audit ran smoothly.

The [reporting agency] acknowledges the professional and thorough manner in which the audit team progress the financial statements and statement of performance audits ...

The [reporting agency] was satisfied with the performance of the ACT Audit Office in auditing the [reporting agency's] financial statements.

The Audit Office staff had a well planned audit strategy. Requests for information were communicated clearly to [reporting agency] staff and ACT Audit Office staff acted in a professional manner.

A change in audit staff led to some useful insights into potential process improvements. Staff from [reporting agency] and the AGO have a strong working relationship.

The [reporting agency] is very satisfied with its relationship with your office and its officers. Each year we enjoy a very open and professional process in the conduct, findings and conclusion the audit.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016**Note 5: Percentage of agencies satisfied with financial audits (continued)**

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

The audit team for the final audit of [reporting agency] for 2014-15 was substantially different from the team members who participated in the interim audit and audit process for earlier years. A more stable audit team would provide greater efficiencies and insight into areas for improvement throughout the business.

The overall performance of the Audit Office during the audit of the [reporting agency] was satisfactory. That being said, on occasions where external advice needs to be sought to determine the most appropriate accounting treatment or presentation of a particular issue, this should be done in conjunction with the impacted directorate, and finalised in sufficient time to avoid unnecessary costs and delays in the preparation and/or audit of the financial statements.

In comparison to previous years there was a significant deterioration in the quality of communications during the audit. I was particularly concerned by the presentation of issues in formal meetings rather than having issues raised throughout the audit process ...

In relation to suggestions for further improvement, the Directorate notes that audit team members displayed strong auditing skills, however, being predominately a new team, some team members were not as experienced with ACT Government and in particular [reporting agency] business

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 6. Percentage of agencies satisfied with performance audits

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

A survey of agencies subjected to a performance audit is performed to rate their satisfaction with performance audits completed during 2015-16.

This percentage is calculated as the number of agencies that provide a satisfactory or better than satisfactory rating for performance audits completed during 2015-16 divided by the number of audited agencies that responded to the survey.

The Audit Office received responses for 23 (72 percent) of the 32 surveys sent.

Satisfaction rating	Number of responses	%
<u>Satisfied</u>		
Very good	6	26
Good	10	43
Satisfactory	6	26
Sub-total	22	96
<u>Not satisfied</u>		
Poor	1	4
Very poor	0	0
Sub-total	1	4
Total	23	100

Source: Agency satisfaction surveys.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016**Note 6. Percentage of agencies satisfied with performance audits (continued)**

The percentage of agencies satisfied with performance audits (96 percent) met the target (95 percent) with 70 percent (16 of 23) of the respondents to the survey rating the Audit Office's performance as 'good' or 'very good'.

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

I found the staff conducting the audit and the audit findings to be very professional. The outcome of the audit will assist in better meeting the needs of [the Minister].

The process was professionally managed and outcome focused.

[Audited agency] notes that, following the provision of additional information, the Audit Office took on board the comments and made appropriate amendments to the final report.

The change of personnel in the AG's Office during the audit did cause a level of disruption in terms of knowledge, approach and continuity. [Audited agency] made extensive comments on the first version of the report but was pleased with the subsequent engagement and responsiveness, especially from [name of Audit Office staff member]. Overall, [the audited agency] is highly appreciative of the work and analysis provided through audit.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 6. Percentage of agencies satisfied with performance audits (continued)

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

One potential information gathering approach you may wish to consider is a workshop with whole government reps and perhaps community focus group.

Further upfront discussion with subject matter experts prior to commencement of the process may improve scope and achieve more targeted outcomes and improve the relevance of findings.

I believe if the Audit Office were more direct with questioning or what they were looking for, we could have answered questions more directly early on.

[Audited agency] would like to request that directorates are provided with the draft scope for each audit so that any comments can be provided to the Audit Office before the commencement of an audit.

Regular contact between the Audit Office and the Directorate regarding the status of the audit and findings would improve the process, as often there is more than one party involved, i.e. [different business units of the Directorate].

The inclusion of periodic exception reports and associated supporting documents, which provide further details on audit findings, recommendations and conclusions reached, would assist the Directorate in providing comments in a timely manner.

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

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016**Note 7. Percentage of recommendations accepted in financial audits**

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

This percentage is calculated as the number of financial audit recommendations accepted by reporting agencies in audit management reports issued in 2015-16, divided by the number of recommendations made in these reports.

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

Reporting agencies accepted 80 percent (129 of 162) of recommendations made by the Audit Office in 2015-16. This is lower than the target acceptance rate of 95 percent.

The lower than expected result is due to 8 percent (13 of 162) audit recommendations being 'agreed-in-principle', 4 percent (7 of 162) being 'partially agreed' and 5 percent (8 of 162) being 'noted'. Only three percent (5 of 162) were 'not agreed' to by reporting agencies.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 8. Percentage of agencies agreeing that the performance audit will help their organisation improve administration of the audited activity

This accountability indicator provides information on whether the performance audit will help improve administration of the audited activity.

A survey of audited agencies subjected to a performance audit was performed to rate their satisfaction with performance audits completed in 2015-16. Audited agencies were asked whether **'the audit will help to our organisation to improve administration of the audited activity.'** The percentage is calculated as the number of audited agencies that provide an 'agree' or 'strong agree' to this question divided by the number of agencies that responded to the survey.

The Audit Office received responses for 23 (72 percent) of the 32 surveys sent.

Agency rating	Number of responses	%
<u>Ratings</u>		
Strongly agree	7	30
Agree	14	61
Sub-total	21	91
Strongly disagree	0	0
Disagree	2	9
Sub-total	2	9
Neither agree nor disagree	0	0
Unsure	0	0
Sub- total	0	0
Total	23	100

Source: Agency satisfaction surveys.

The percentage of agencies that indicated that they 'agree' or 'strongly agree' that 'the audit will help to our organisation to improve administration of the audited activity' (91 percent) exceeded the target (80 percent).

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 9. Percentage of employees that are satisfied with working for the Audit Office

This accountability indicator provides information on staff satisfaction.

An annual Staff Survey is conducted to measure staff satisfaction. Survey questions cover many aspects of the Audit Office, including its leadership, management, working conditions, learning and development, teamwork and communication.

This percentage is calculated as the number of employees who provide an 'agree' or 'strongly agree' rating to the survey question '**overall, I am satisfied with my job**' divided by the number of staff responses to the survey.

The results of the 2016 Staff Survey are shown below.

Employee rating	No. of responses	%
<u>Satisfied</u>		
Strongly agree	7	23.3
Agree	19	63.3
Sub-total	26	86.6
<u>Not satisfied</u>		
Neither agree or disagree	2	6.7
Disagree	2	6.7
Strongly disagree	-	-
Sub-total	4	13.4
Total	30	100.0

Source: 'Report on the ACT Audit Office – 2016 Staff Survey' dated 5 May 2016 prepared by Reilly Associates.

The annual Staff Survey is conducted anonymously. Thirty-four (91 percent) out of 35 staff submitted a response to the survey.

Thirty (88 percent) of the 34 respondents answered the survey question '**overall, I am satisfied with my job**'.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 9. Percentage of employees that are satisfied with working for the Audit Office (continued)

Twenty-six (87 percent) out of the 30 staff who responded to the survey question **'overall I am satisfied with my job'** advised that they were satisfied with working for the Audit Office compared to the target rate of 85 percent.

Two staff 'neither agreed nor disagreed' that they were satisfied with their job, and two 'disagreed' they were satisfied with their job.

The survey results indicate that the large majority of staff (87 percent) are satisfied with their job and was an improvement on the satisfaction rate (75 percent) reported in 2014-15.

This indicator alone does not capture other important elements of staff feedback. Survey responses also indicated that a high proportion of staff felt that their work was important to the success of the Audit Office (90 percent), they were motivated to do the best possible work (87 percent), they had a positive working relationship with their supervisor and could approach their supervisor about a problem (88 percent) and thought that it was noticed when they did a good job (88 percent).

Importantly, all staff indicated that they applied the 'Public Sector Management Act' and 'Code of Conduct' in their work.

Staff also commented favourably on the training and development with most agreeing that opportunities were provided to increase their job related skills and knowledge (83 percent), their learning and development needs were adequately considered as part of my performance development plan (83 percent) and training and development received improved their performance (67 percent).

The staff survey indicates that most staff would recommend the Audit Office as a place to work (72 percent). However, retaining and replacing staff are likely to continue to present a significant challenge for the Audit Office as only 50 percent of staff could foresee themselves working at the Audit Office in two years' time. Staff indicated a lack of opportunity for career progression and higher salaries as the main reasons they would leave the Audit Office.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 10. Percentage of financial audits completed within the required timetable

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

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

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

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

The Audit Office completed 85 percent (55 of 65) of the financial audits within the required timetable in 2015-16.

Audits of the financial statements were delayed due to a number of reasons. These included reporting agencies not providing signed financial statements and certified statements by the due date, the identification of errors in the reporting agency's financial statements that needed to be corrected and delays in the provision of information (supporting work papers) to the Audit Office.

Despite these delays, all audits were completed in time for reporting agencies to meet any applicable statutory reporting timeframes.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 11. Average period of completion of performance audits

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

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

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

Report	Months
Public Transport: The Frequent Network (Report No. 9/2015)	11.7
Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016)	13.3
Maintenance of Public Housing (Report No. 2/2016)	7.7
ACT Policing Arrangement (Report No. 3/2016)	6.3
The Management of the Financial Arrangements for the Delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (Report No. 4/2016)	6.9
Initiation of the Light Rail Project (Report No. 5/2016)	11.7
Management and Administration of Credit Cards by ACT Government Entities (Report No. 6/2015)	10.5
Average period of completion of performance audits	9.7

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Note 11. Average period of completion of performance audits (continued)

The average time to complete a performance audit will vary due to the size and complexity of the audit and circumstances under which the audit is performed. The average period of completion of performance audits during 2015-16 was 9.7 months compared to the target of 7 months.

All but two of the audits undertaken in 2015-16 exceeded the target timeframe, largely reflecting the increase in scope and complexity as the audits progressed. These factors were particularly evident in the audits of Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016) and the Initiation of the Light Rail Project (Report No. 5/2016).

Complexities in the reporting process, including the need to consult extensively in relation to the potential findings and conclusions for inclusion in the report, extended the duration of the audits of Calvary Public Hospital Financial and Performance Reporting and Management (Report No. 1/2016), Maintenance of Public Housing (Report No. 2/2016) and the Initiation of the Light Rail Project (Report No. 5/2016).

Note 12. Presentation of the summary report of financial audits to the Legislative Assembly

One report summarising the results of the financial audit program is scheduled to be tabled in the Legislative Assembly in December of each year.

The summary report on financial audits to the Legislative Assembly was tabled on 18 December 2015.

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Audits reports and reports of factual findings issued in 2015-16

This table represents the audit reports and reports of factual findings that were issued during the period from 1 July 2015 to 30 June 2016.

No.		Audit reports	No.	Reports of factual findings
	Territory financial statements			
1	Territory's annual financial statements	Unqualified	-	Not applicable
	Directorates			
2	ACT Executive	Unqualified	-	Not applicable
3	ACT Local Hospital Network Directorate	Unqualified	1	Unqualified
4	ACTION	Unqualified	2	Unqualified
5	Capital Metro Agency	Unqualified	3	Unqualified
6	Chief Minister, Treasury and Economic Development Directorate	Unqualified	4	Unqualified
7	Community Services Directorate	Unqualified	5	Unqualified
8	Education and Training Directorate	Unqualified	6	Unqualified
9	Environment and Planning Directorate	Unqualified	7	Unqualified
10	Health Directorate	Unqualified	8	Unqualified
11	Home Loan Portfolio	Unqualified	9	Unqualified
12	Housing ACT	Unqualified	10	Unqualified
13	Justice and Community Safety Directorate	Unqualified	11	Unqualified
14	Lifetime Care and Support Fund	Unqualified	12	Unqualified
15	Office of the Legislative Assembly	Unqualified	-	Not applicable
16	Superannuation Provision Account	Unqualified	13	Unqualified
17	Territory and Municipal Services Directorate	Unqualified	14	Unqualified
18	Territory Banking Account	Unqualified	15	Unqualified

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Audits reports and reports of factual findings issued in 2015-16 (continued)

No.		Audit reports	No.	Reports of factual findings
	Authorities			
19	ACT Building and Construction Industry Training Fund Authority	Unqualified	16	Unqualified
20	ACT Compulsory Third-Party Insurance Regulator	Unqualified	17	Unqualified
21	ACT Electoral Commission	Unqualified	-	Not applicable
22	ACT Gambling and Racing Commission	Unqualified	18	Unqualified
23	ACT Insurance Authority	Unqualified	19	Unqualified
24	ACT Long Service Leave Authority	Unqualified	20	Unqualified
25	ACT Public Cemeteries Authority	Unqualified	21	Unqualified
26	Canberra Institute of Technology	Unqualified	22	Unqualified
27	Cultural Facilities Corporation	Unqualified	23	Unqualified
28	Independent Competition and Regulatory Commission	Unqualified	24	Unqualified
29	Land Development Agency	Unqualified	25	Unqualified
30	Legal Aid Commission	Unqualified	26	Unqualified
31	Public Trustee for the ACT (Office Account)	Unqualified	27	Unqualified
32	University of Canberra	Unqualified	-	Not applicable
	Territory-owned corporations and other companies			
33	CIT Solutions Pty Limited	Unqualified	-	Not applicable
34	Community Housing Canberra Limited	Unqualified	-	Not applicable
35	Icon Water Limited (formerly ACTEW Corporation Limited)	Unqualified	-	Not applicable
36	Icon Distribution Limited (formerly ACTEW Distribution Limited)	Unqualified	-	Not applicable
37	Icon Retail Limited (formerly ACTEW Retail Limited)	Unqualified	-	Not applicable
38	UCU Ltd	Unqualified	-	Not applicable

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Audits reports and reports of factual findings issued in 2015-16 (continued)

No.		Audit reports	No.	Reports of factual findings
	Joint ventures and partnerships			
39	ActewAGL Distribution Partnership	Unqualified	-	Not applicable
40	ActewAGL Joint Venture Special Purpose Financial Report	Unqualified	-	Not applicable
41	ActewAGL Retail Partnership	Unqualified	-	Not applicable
42	ActewAGL Summary Financial Report	Unqualified	-	Not applicable
43	Crace Joint Venture	Unqualified	-	Not applicable
44	Forde Joint Venture	Unqualified	-	Not applicable
45	Lyons Estate Redevelopment Joint Venture	Unqualified	-	Not applicable
46	Nicholls Primary School Joint Facilities	Unqualified	-	Not applicable
	Other audits			
47	Canberra Business Development Fund	Unqualified	-	Not applicable
48	Capital Region Community Foundation Gift Fund	Unqualified	-	Not applicable
49	Capital Region Community Foundation Open Fund	Unqualified	-	Not applicable
50	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2014</i> – Black Spot Projects	Unqualified	-	Not applicable
51	Commonwealth Funding under the Nation Building Program (National Land Transport) Act 2014 – National Projects (including Building Australia Fund - Majura Parkway)	Unqualified	-	Not applicable
52	Commonwealth funding under the <i>Nation Building Program (National Land Transport) Act 2009</i> – Roads to Recovery	Unqualified	-	Not applicable
53	Commonwealth funding under the <i>Interstate Road Transport Act 1985</i> – expenditure statement	Unqualified	-	Not applicable
54	Commonwealth funding under the <i>Interstate Road Transport Act 1985</i> – revenue statement	Unqualified	-	Not applicable
55	University of Canberra Research Income Return	Unqualified	-	Not applicable
56	Default Insurance Fund	Unqualified	-	Not applicable

ACT AUDIT OFFICE

Explanations Accompanying the Statement of Performance (Continued)
Year Ended 30 June 2016

Audits reports and reports of factual findings issued in 2015-16 (continued)

No.		Audit reports	No.	Reports of factual findings
	Other audits (continued)			
57	Gungahlin Cemetery Perpetual Care Trust	Unqualified	-	Not applicable
58	Hall Cemetery Perpetual Care Trust	Unqualified	-	Not applicable
59	National Health Funding Pool Account for the ACT	Unqualified	-	Not applicable
60	Nominal Defendant	Unqualified	-	Not applicable
61	Public Trustee for the ACT compliance with <i>Public Ancillary Funds Guidelines 2011</i> in relation to the Capital Region Community Foundation Gift Fund	Unqualified	-	Not applicable
62	Public Trustee for the ACT – Trust Account	Unqualified	-	Not applicable
63	University of Canberra Research Income Return	Unqualified	-	Not applicable
64	Woden Cemetery Perpetual Care Trust	Unqualified	-	Not applicable
65	Woden Mausoleum Perpetual Care Trust	Unqualified	-	Not applicable

C NOTICES OF NON-COMPLIANCE

C.1 Notices of non-compliance

The Audit Office did not commit any offences against the *Dangerous Substances Act 2004* or the *Medicines, Poisons and Therapeutic Goods Act 2008* in 2015-16.

Further information can be obtained from:

Mr Ajay Sharma	Principal, Professional Services	(02) 6207 0830	ajay.sharma@act.gov.au
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APPENDIX A: FINANCIAL AUDIT FEES

Subsection 11A(5) of the A-G Act requires the Audit Office to disclose the basis on which the Auditor-General decided financial audit fees charged to reporting agencies.

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

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

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

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

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

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

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

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

Audit fees are estimated to increase slightly by \$22 381 (0.6 percent) from \$3 857 231 in 2014-15 to \$3 879 612 in 2015-16.

This small increase in audit fees mainly results from:

- a reassessment of the costs of performing the audit of the Chief Minister, Treasury and Economic Development Directorate; and
- indexation (3.8 percent) applied to many audit fees.

These are offset by lower fees from several audits no longer being required.

Explanations for fee variations on individual audits are provided after Table 6 in this Appendix.

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

Estimated financial audit fees (excluding GST) shown for 2015-16 are for audits with reporting periods ending 31 December 2015 and 30 June 2016.

Strategic Review of the ACT Auditor-General

Mr Pearson concluded that:

The ACT Audit Office sets its overall financial audit fees each year to recover the cost of its financial audit activity. The approach now includes Financial Audit's share of office-wide projects which was raised in the previous Strategic Review.

Responsibly the ACT Audit Office commissioned a review of the setting of Financial Audit Fees which reported with satisfactory results in June 2015. My review of this report and the setting of the 2015-16 fees did not raise any matters of significance.⁴

Mr Pearson also observed that:

The cost effectiveness and focus of financial audit services and the value for money attributes of performance audits were assessed for cost effectiveness having regard to ACAG and other benchmarks and recognised better practice...

⁴ Page 46 of the report titled 'Strategic Review of the ACT Auditor-General' (26 May 2016).

... In overview I consider the ACT Auditor-General is providing value for money financial audit services in comparison with the services and fees of similar organisations.⁵

I have satisfied myself that the methodology in use is robust and reliable and that the staff undertaking the audits are appropriately qualified and supervised as they undertake their audit duties. There is a sound quality control and assurance process in place and the fees being charged are reasonable and reflective of the audit effort involved. Charge out rates reflect the low cost base and break even objective of the ACT Audit Office.

This assessment is generally supported by comments I received from senior representatives of audited entities that were overall satisfied with the financial audit function, its responsiveness and timeliness. A number of stakeholders reported a steadily improving level of service.

Further information can be obtained from:

Mr Bernie Sheville	Director, Financial Audits and Chief Finance Officer	(02) 6207 0821	bernie.sheville@act.gov.au
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Table 1: Summary of financial audit fees

	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Territory's financial statements (refer Table 2)	139 317	139 317
Directorates (refer Table 2)	1 948 717	2 082 033
Statutory authorities (refer Table 3)	889 843	847 983
Territory-owned corporations and other companies (refer Table 4)	387 185	347 096
Joint ventures and partnerships (refer Table 5)	329 856	303 843
Other audits (refer Table 6)	162 313	159 340
Total financial audit fees	3 857 231	3 879 612

Source: Audit Office records

⁵ Page 48 of the report titled 'Strategic Review of the ACT Auditor-General' (26 May 2016).

Table 2: Financial audit fees – Territory and directorates

	Note No.	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Territory's financial statements			
Territory's consolidated annual financial statements	1	139 317	139 317
Total		139 317	139 317
Directorates			
Capital Metro Agency	2	45 000	81 710
Chief Minister, Treasury and Economic Development Directorate	3	290 000	400 000
Community Services Directorate		108 153	112 263
Commerce and Works Directorate	4	30 000	-
Economic Development Directorate	5	30 000	-
Education and Training Directorate		131 636	136 638
Electoral Commission		31 818	33 027
Environment and Planning Directorate		130 475	135 433
Executive	6	19 794	24 794
Health Directorate		203 101	210 819
Home Loan Portfolio	7	19 767	-
ACTION		121 700	126 325
Housing ACT	8	106 507	106 507
Justice and Community Safety Directorate	9	231 062	240 681
Local Hospital Network Directorate	10	41 000	62 600
Lifetime Care and Support Fund		41 000	43 388
Office of the Legislative Assembly		38 858	40 335
Superannuation Provision Account	11	49 613	46 855
Territory Banking Account		37 510	38 935
Territory and Municipal Services Directorate	12	241 723	241 723
Total		1 948 717	2 082 033

Explanatory notes are provided after Table 6 in this Appendix

Table 3: Financial audit fees – statutory authorities

	Note No.	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Statutory authorities			
Building and Construction Industry Training Fund Authority		19 114	19 840
Canberra Institute of Technology		121 530	124 570
Compulsory Third Party Insurance Regulator		16 400	17 023
Cultural Facilities Corporation		46 648	48 421
Exhibition Park Corporation	13	35 295	-
Gambling and Racing Commission		40 863	42 416
Independent Competition and Regulatory Commission		24 392	25 319
Insurance Authority	14	58 413	52 559
Land Development Agency		108 895	113 033
Legal Aid Commission		44 664	46 361
Long Service Leave Authority		51 327	52 540
Public Cemeteries Authority and related Perpetual Care Trusts		71 602	74 323
Public Trustee for the ACT - Office Account	15	40 355	40 355
University of Canberra	16	210 345	191 223
Total		889 843	847 983

Explanatory notes are provided after Table 6 in this Appendix

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

	Note No.	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Territory-owned corporations and other companies			
ACN 071 257 504 Limited (formerly known as ACTTAB Limited)	17	51 000	-
CIT Solutions Pty Limited		30 206	30 961
Community Housing Canberra Limited		44 462	46 152
Icon Water Limited	18	172 116	202 418
Icon Water Distribution Investments Limited	19	12 562	14 661
Icon Water Retail Investments Limited	20	12 562	14 661
University of Canberra College Pty Limited	21	26 967	-
UCU Ltd		37 310	38 243
Total		387 185	347 096

Explanatory notes are provided after Table 6 in this Appendix

Table 5: Financial audit fees – joint ventures and partnerships

	Note No.	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Joint ventures and partnerships			
ActewAGL Joint Venture		289 786	292 343
Crace Joint Venture	22	13 913	11 500
Forde Joint Venture	23	10 745	-
Lyons Estate Redevelopment Joint Venture	24	15 412	-
Total		329 856	303 843

Explanatory notes are provided after Table 6 in this Appendix

Table 6: Financial audit fees – other audits

	Note No.	2014-15 Actual Audit Fees \$	2015-16 Estimated Audit Fees \$
Other audits			
ACT State Pool Account	25	21 525	21 525
Canberra Business Development Fund		12 711	13 194
Capital Region Foundation Gift Fund		2 955	3 067
Capital Region Foundation Open Fund		2 955	3 067
Commonwealth Funding for Roads Program (several small grant acquittal audits)		14 422	14 970
Default Insurance Fund		26 794	27 972
Digital Hubs Program	26	3 484	-
Nominal Defendant		26 638	27 726
Nicholls Primary School Joint Facilities	27	3 358	-
Public Trustee for the ACT - compliance by the Public Trustee for the ACT with the <i>Public Ancillary Fund Guidelines 2011</i>		5 000	5 190
Public Trustee for the ACT - Trust Account	28	38 326	38 326
University of Canberra Research Income Return		4 145	4 303
Total		162 313	159 340

Explanatory notes are provided below

Explanatory notes

- Note 1: The fee for the audit of the Territory's consolidated annual financial statements was not changed because the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 2: The audit fee for the Capital Metro Agency was increased to recover the estimated higher costs of performing the audit due to an expected increase in the size and complexity of the Capital Metro Agency's operations. An accounting firm was engaged to review the accounting and disclosures relating to Public Private Partnership arrangements relating to the light rail.
- Note 3: 2014-15 audit fees for the Chief Minister, Treasury and Economic Development Directorate were estimated following the amalgamation of former ACT Government agencies as well as the transfer of several business units from other ACT Government agencies to the Directorate as a result of changes to administrative arrangements in 2014-15.
- These agencies included the former Commerce and Works Directorate, Economic Development Directorate, Exhibition Park Corporation, and Chief Minister and Treasury Directorate. These fees were substantially less than the eventual cost of the audit. The large increase in 2015-16 mainly resulted from a reassessment of the costs of performing the audit, including the transfer of the Office of Regulatory Services' functions from the Justice and Community Safety Directorate in 2015-16.
- Note 4: A final audit of the former Commerce and Works Directorate for the reporting period from 1 July 2014 to 6 July 2014 was completed in 2014-15. The functions of the former Commerce and Works Directorate were transferred to the Chief Minister, Treasury and Economic Development Directorate under changes to administrative arrangements.
- Note 5: A final audit of the former Economic Development Directorate for the reporting period from 1 July 2014 to 6 July 2014 was completed in 2014-15. The functions of the former Economic Development Directorate were transferred to the Chief Minister, Treasury and Economic Development Directorate under changes to administrative arrangements.
- Note 6: The audit fee for the Executive was increased in 2015-16 to reduce the deficits incurred on this audit in recent years.
- Note 7: An audit of the financial statements of the Home Loan portfolio is no longer required as its operations were transferred to the Chief Minister, Treasury and Economic Development Directorate under changes to administrative arrangements.

Explanatory notes (continued)

- Note 8: The fee for the audit of Housing ACT was not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 9: The increase in the audit fee for the Justice and Community Safety Directorate mainly resulted from the use of an accounting firm to review the accounting and disclosures relating to Public Private Partnership arrangements relating to the ACT Law Courts.
- Note 10: The audit fee for the Local Hospital Network Directorate was increased to recover the costs of using a clinical coding expert to review the accuracy of clinical coding of activity data. The costs were not included in the prior year audit fee.
- Note 11: The decrease in the audit fee for the Superannuation Provision Account mainly results from the lower costs of using an actuary to examine the estimated superannuation liability.
- Note 12: The fee for the audit of the Territory and Municipal Services Directorate was not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 13: An audit of the former Exhibition Park Corporation is no longer required. As disclosed in Note 3, the functions of Exhibition Park Corporation were transferred to the Chief Minister, Treasury and Economic Development Directorate.
- Note 14: The decrease in the audit fee for the Insurance Authority mainly resulted from a reduction in the costs of using an expert to review insurance related disclosures made in the financial statements. This review, which was performed on the 2014-15 audit, was not required on the 2015-16 audit.
- Note 15: The audit fee for the Public Trustee for the ACT - Office Account has not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 16: The decrease in the audit fee for the University of Canberra was mainly due to the lower cost of using experts to review accounting treatments used by the University in the preparation of its financial statements.
- Note 17: An audit of the financial statements of ACN 071 257 504 Limited (formerly ACTTAB Limited) is no longer required following its sale.
- Note 18: The increase in the audit fee for Icon Water Limited reflects the results of the public tendering by the Audit Office of the audits relating to the Icon Water Group.
- Note 19: The increase in the audit fee for Icon Water Distribution Investments Limited reflects the results of the public tendering by the Audit Office of the audits relating to the Icon Water Group.
- Note 20: The increase in the audit fee for Icon Water Retail Investments Limited reflects the results of the public tendering by the Audit Office of the audits relating to the Icon Water Group.
- Note 21: An audit of the financial statements of the University of Canberra College Pty Limited is no longer required. The Audit Office ceased being the statutory auditor of the College when the University of Canberra sold 51 percent of its shareholding in the College.
- Note 22: The audit fee for the Crace Joint Venture was decreased as the Joint Venture is close to completion and less audit work is expected to be required.
- Note 23: The Management Committee for the Forde Joint Venture has advised that it is winding up the Forde Joint Venture and that no further audits are required.
- Note 24: An audit of the financial statements of the Lyons Estate Redevelopment Joint Venture is no longer required as the Joint Venture has been wound up.
- Note 25: The audit fee for the ACT State Pool Account was not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.
- Note 26: An audit of the financial statements of the Digital Hubs Program is no longer required as this Commonwealth-funded program is complete.
- Note 27: The Management Committee for the Nicholls Primary School Joint Facilities has advised that it has decided to engage a private firm to perform this audit.
- Note 28: The audit fee for the Public Trustee for the ACT - Trust Account has not changed as the fee was assessed to be sufficient to meet the estimated cost of the audit.

APPENDIX B: COMPLIANCE INDEX FOR THE 2015-16 ANNUAL REPORT

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Source: Audit Office records

Note 1: The Audit Office did not undertake capital works in 2015-16.

Note 2: The Audit Office did not publish specific strategic indicators. However, its strategic direction was taken into account in determining the performance indicators included in the Statement of Performance.

Note 3: There were no instances of non-compliance with laws and regulations by the Audit Office.

APPENDIX C: AUDIT OFFICE REPORTS

Audit reports published in recent years are listed below.

Reports Published in 2016-17	
Report No. 07 / 2016	Certain Land Development Agency Acquisitions
Reports Published in 2015-16	
Report No. 07 / 2016	Certain Land Development Agency Acquisitions
Report No. 06 / 2016	Management and Administration of Credit Cards by ACT Government entities
Report No. 05 / 2016	Initiation of the Light Rail Project
Report No. 04 / 2016	The Management of the Financial Arrangements for the Delivery of the Loose-fill Asbestos (Mr Fluffy) Insulation Eradication Scheme
Report No. 03 / 2016	ACT Policing Arrangement
Report No. 02 / 2016	Maintenance of Public Housing
Report No. 01 / 2016	Calvary Public Hospital Financial and Performance Reporting and Management
Report No. 10 / 2015	2014-15 Financial Audits
Report No. 09 / 2015	Public Transport: The Frequent Network
Report No. 08 / 2015	ACT Audit Office Annual Report 2014-15
Reports Published in 2014-15	
Report No. 07 / 2015	Sale of ACTTAB
Report No. 06 / 2015	Bulk Water Alliance
Report No. 05 / 2015	Integrity of Data in the Health Directorate
Report No. 04 / 2015	ACT Government Support to the University of Canberra for Affordable Student Accommodation
Report No. 03 / 2015	Restoration of the Lower Cotter Catchment
Report No. 02 / 2015	The Rehabilitation of Male Detainees at the Alexander Maconochie Centre
Report No. 01 / 2015	Debt Management
Report No. 07 / 2014	2013-14 Financial Audits
Report No. 06 / 2014	ACT Audit Office Annual Report 2013-14
Reports Published in 2013-14	
Report No. 05 / 2014	Capital Works Reporting
Report No. 04 / 2014	Gastroenterology & Hepatology Unit, Canberra Hospital
Report No. 03 / 2014	Single Dwelling Development Assessments
Report No. 02 / 2014	The Water and Sewerage Pricing Process
Report No. 01 / 2014	Speed Cameras in the ACT
Report No. 08 / 2013	Management of Funding for Community Services
Report No. 07 / 2013	2012-13 Financial Audits
Report No. 06 / 2013	ACT Auditor-General's Office Annual Report 2012-13
Report No. 05 / 2013	Bushfire Preparedness

Details of reports published prior to 2013-14 can be obtained from the ACT Audit Office or the ACT Audit Office's homepage: <http://www.audit.act.gov.au>.

AVAILABILITY OF REPORTS

Copies of reports issued by the ACT Audit Office are available from:

ACT Audit Office
Level 4, 11 Moore Street
Canberra City ACT 2601

or

PO Box 275
CIVIC SQUARE ACT 2608

Phone (02) 6207 0833 / Fax (02) 6207 0826

Copies of reports are also available from the
ACT Audit Office Homepage: www.audit.act.gov.au