



# AUDITOR-GENERAL

Australian Capital Territory



M01/26

September 2001

The Speaker  
ACT Legislative Assembly  
South Building  
London Circuit  
CANBERRA ACT 2601

Dear Mr Speaker

In accordance with section 17(5) of the *Auditor-General Act 1996*, I transmit to the Legislative Assembly a report on the operations of the Auditor-General's Office. In accordance with section 17(5)(d) of the Act, the Speaker will arrange for distribution of the Report to each member of the Legislative Assembly.

I certify that the Report is an honest and accurate account of the operations of the Office during the period 1 July 2000 to 30 June 2001.

Yours sincerely

John A Parkinson, FCPA

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# 1. GENERAL INFORMATION

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## CHARTER

1.1 The Auditor-General is responsible, through the public's elected representatives in the Legislative Assembly, to the ACT public for the audit of all ACT public sector agencies.

1.2 The Auditor-General is head of the Auditor-General's Office. He and the Auditor-General's Office act independently of the Government. The Office assists the Auditor-General to carry out the Auditor-General's functions, which are set out in the *Auditor-General Act 1996* and the *Financial Management Act 1996*, by undertaking audits of management performance and the financial statements of public sector bodies.

1.3 The aim is to improve public sector management and accountability by first ensuring the Legislative Assembly and the electorate are provided with accurate and useful information about the management of public sector resources and secondly by providing independent advice and recommendations for improving the management of public resources.

## LEGISLATION

1.4 The Auditor-General's Office operates principally under the *Auditor-General Act 1996* and the *Financial Management Act 1996*, which require the Auditor-General to audit all public sector agencies. The Auditor-General also has responsibilities under the *Territory Owned Corporations Act 1990*, *Public Interest Disclosure Act 1994* and *Public Access to Government Contracts Act 2000*.

1.5 In addition, the Auditor-General has responsibilities in respect of Commonwealth grants to the Territory under Commonwealth legislation and agreements between the Territory and the Commonwealth.

## OBJECTIVES

1.6 The prime objective of the ACT Auditor-General's Office is to undertake a program of audits in order to produce independent reports with the purpose of:

- promoting a well informed electorate by ensuring that Legislative Assembly members, as the elected representatives of the people,

are provided with accurate, complete and relevant information about the management of public sector resources; and

- promoting the economic, efficient and effective use of public resources by providing the Legislative Assembly, the Executive and public sector officials with independent advice relating to improving the management of those resources.

1.7 Further objectives of the Auditor-General include promoting public accountability in the public administration of the Territory and effectively discharging any other statutory function conferred on the Auditor-General.

## VISION

1.8 To be the acknowledged foremost source of independent and impartial information on the quality of the management of the ACT's public resources.

## MAJOR ACTIVITIES

1.9 The Office's major activities are conducting performance audits and financial statement audits and reporting the results of these audits to the Legislative Assembly. The Office also performs a range of other tasks in furthering its objective of promoting public accountability or in fulfilment of other statutory functions.

### Performance Audits

1.10 The *Auditor-General Act 1996* defines a performance audit very broadly:

*“performance audit”, in relation to a person, body or thing, means a review or examination of any aspect of the operations of the person, body or thing.*

1.11 The Office has adopted more detailed definition:

*an independent systematic examination of all or a part of an entity's activities to assess economy, efficiency, effectiveness and/or compliance with relevant legislation. A performance audit includes any audit directed to:*

- (a) *the adequacy of an internal control structure or specific internal controls, including those intended to safeguard*

*assets and to ensure due regard for economy, efficiency and effectiveness;*

- (b) the extent to which resources have been managed economically and efficiently;*
- (c) the extent to which activities have been effective in achieving expected outcomes; and*
- (d) the extent to which the entity has complied with relevant legislation, regulations or directions.”*

1.12 Performance audits may address any matter related to public accountability for the administration of the Territory.

### **Financial Audits**

1.13 There is no definition of a financial audit in the Auditor-General Act or the Financial Management Act. However a financial audit is defined by the Office as:

*an independent systematic examination of an entity's financial report for the purpose of attestation, being the positive expression of an opinion on the financial report (or a component thereof) to enhance the credibility of the report. The financial audit extends to assessments of the entity's compliance with legislation relating to the form and content of the entity's financial statements.*

### **Other Activities and Functions**

1.14 The Auditor-General's Office can and does engage in a wide range of activities that promote public accountability in the Territory.

1.15 The Office has statutory functions under the *Public Interest Disclosure Act 1994* and the *Public Access to Government Contracts Act 2000*. Under the former, both the Ombudsman and the Auditor-General are proper authorities to receive public interest disclosures from persons. Under the latter, the Auditor-General is required to maintain a register of contracts containing confidentiality clauses entered into by Territory agencies, and to provide a list of contracts entered on the register to the Public Accounts Committee every six months.

### **SENIOR OFFICERS AS AT 30 JUNE 2001**

*Auditor-General:* John A. Parkinson, FCPA

*Director, Performance Audits and Administration:*

Jo Benton, CSC, RFD, BEc, GDPA, FCPA

*Director, Financial Audits:* Bernie Sheville, BA(Acc), CA

*Audit Managers*

David Hughes, BEc, PhD

Michael Lai, BCom, Grad Dip Information Systems, FCPA

Greg Martin, BFA(Hons), CPA

Rod Nicholas, JP, BA(Acc), CPA

Malcolm Prentice, BBus(Acc), CPA

**ACCESS AND LOCATION**

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## **2 THE YEAR IN REVIEW**

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### **SUMMARY**

2.1 During 2000-01 the Office completed 74 financial statement audits and issued opinions on them. Fifteen performance audit reports were tabled, including twelve reports on the redevelopment of Bruce Stadium in September 2000. In addition, the Office tabled its annual summary report of the Office's audits of agencies' financial statements for 1999-2000. It also performed a range of other functions in furtherance of its charter.

2.2 During the year 31,545 staff hours were charged to audits compared to a target of 31,250 hours and an actual result of 32,725 hours charged in 1999-2000. The result for 2000-01 represents 68 percent of total staff standard hours available and compares with a target of 67 percent and 70 percent achieved in 1999-2000. Overall audit costs per staff hour were \$65.68 compared with a planned cost of \$69.34 and a result of \$64.05 achieved in 1999-2000.

### **FINANCIAL STATEMENT AUDITS**

2.3 All of the 74 financial statement audits completed during the year were finalised within the relevant statutory reporting period. A summary report on the Office's audits of Territory agencies was forwarded to the Legislative Assembly in March 2001.

2.4 In 2000-01, 17,841 staff hours were spent on financial statement audits compared with a target of 21,000 hours and a result of 19,097 hours achieved in 1999-2000. Audit costs per hour were \$61.20 compared with a target of \$66.33 and a result of \$59.17 in 1999-2000. Thirteen out of 15 Chief Executives surveyed, rated the Office's performance as being satisfactory, good or very good.

### **PERFORMANCE AUDITS**

2.5 Twelve reports on the Bruce Stadium redevelopment audit were tabled in the Legislative Assembly in September 2000. Work was then resumed on several audits set aside for the duration of the Bruce Stadium audit and several new audits were commenced. A further three performance audit reports were tabled in the first half of 2001. Two of these were further reports on the Bruce Stadium audit.

2.6 In 2000-01, 13,704 hours were charged to performance audits

compared to a target of 10,250 hours and a result of 13,628 hours in 1999-2000. Audit costs per hour were \$71.51 compared with a target of \$75.51 and a result of \$70.88 in 1999-2000. A survey was distributed to all Members of the Legislative Assembly in February 2001. All respondents rated the performance audits of the Office as satisfactory or better.

## **OTHER ACTIVITIES AND FUNCTIONS**

2.7 The Office undertook a wide range of other activities in 2000-01. In particular, the Office:

- Contributed to a review of the Financial Management Act being conducted by the Department of Treasury;
- Provided a review of a draft cabinet submission on ACT Forests at the request of the Department of Urban Services;
- Provided comments to the Chief Minister's Department on the Public Sector Renewal Project; and
- Provided advice to the Chief Minister's Department on the Government Procurement Bill 2000.

2.8 The *Public Access to Government Contracts Act 2000* commenced on 21 December 2000. The Office notified agencies of their responsibility under the Act to provide the Auditor-General with copies of contracts containing confidentiality clauses entered into by the Territory or its agencies. The Office also established its registry of contracts and prepared a list of contracts entered on the register. This list was provided to the Public Accounts Committee in August 2001.

## **FINANCIAL OPERATIONS**

2.9 The Office made a loss of \$127,000 during 2000-01 compared with a budgeted loss of \$4,000 and a loss of \$118,000 in 1998-99. The result in the main reflects the fact that actual audit fees in 2000-01 were \$111,000 under the budget estimate due to a later start to the financial audits. Notwithstanding these operating results, the Office's short term financial position is satisfactory.

## **IMPLEMENTATION OF PERFORMANCE AUDIT RECOMMENDATIONS**

2.10 In 1998-99, Audit Victoria undertook a performance audit of the Office. Audit Victoria's overall conclusion was that the Office was



operating economically, efficiently and effectively. The auditors also identified that, in their opinion, scope existed for the Office to further enhance its effectiveness. In this regard, Audit Victoria made some 44 recommendations.

2.11 Eighteen recommendations were implemented in 1998-99 and 1999-2000. A further 10 recommendations were implemented in 2000-01, bringing the total number of recommendations implemented to 28. Fourteen recommendations will not be implemented for cost effectiveness reasons. The implementation of two recommendations is outside the Office's control.

## **OTHER MATTERS**

2.12 At year's end the Office had 23 staff members. This was two less than at the end of the previous year. During the year, two new executive positions were created and filled. The number of managers fell from 7 to 5; the number of audit seniors rose from 5 to 6; and the number of auditors fell from 10 to 7.

2.13 A new AWA has been concluded between the Auditor-General and all staff for the period to 30 June 2003.

2.14 During 2000-01 11 firms were engaged to assist in the conduct of financial statement and performance audits compared to 16 firms in the previous year. A total of \$735,000 was paid to these firms compared to budgeted expenditure of \$630,000 and actual expenditure of \$795,000 in 1999-00.

## **3 OVERVIEW OF FINANCIAL PERFORMANCE**

### **INTRODUCTION**

3.1 This Chapter includes a summary of the Office's overall financial performance for 2000-01 and comments on the major influences on the financial results.

3.2 The Chapter also includes the performance measures which the Office uses to assess the efficiency of its overall performance. Measures specifically for financial audits and performance audits are presented in Chapters 4 and 5 of this Report respectively.

### **BACKGROUND**

#### **Financial Arrangements**

3.3 In 2000-01 major sources of funds consisted of an appropriation of \$909,000 to finance performance audits and audit fees of \$1.766m paid by departments, statutory authorities and other auditees to meet the costs of financial statement audits. The costs of operating the Office are met from these two sources.

#### **Setting Audit Fees<sup>1</sup>**

3.4 Fees for financial audits undertaken by staff members are set on the basis of the estimated hours to complete each audit multiplied by the estimated hourly charge rate for the year. The average rate is used, rather than actual costs, in order to provide consistency between audits and to avoid variations between years for individual auditees. The charge rate for 2000-01 audits was \$61.20 an hour, which was less than the planned hourly rate of \$66.33 disclosed in the Office's 1999-2000 Annual Management Report (Table 4.1).

3.5 Fees for audits undertaken principally by contractors are set on the basis of the audit fee payable to the contractors plus an allowance for associated work by staff members. The fee for staff members is arrived at by multiplying the Office's average hourly charge rate by the number of hours estimated to be worked on each audit.

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<sup>1</sup> Section 16(6) of the Auditor-General Act 1996 requires that the Office's annual report contain details of the basis on which audit fees are set. These comments satisfy that legislative requirement.

## FINANCIAL OPERATIONS

### Summary Operating Statement

3.6 Table 3.1 summarises the Office's Statement of Financial Performance.

	<b>Budget 2000-01 \$000</b>	<b>Actual 2000-01 \$000</b>	<b>Actual 1999-00 \$000</b>	<b>Actual 1998-99 \$000</b>
<b>Revenue</b>				
Appropriation for Performance Audits	909	909	904	886
Audit Fees	1,877	1,766	1,865	1,729
Interest	7	4	4	8
	<b>2,793</b>	<b>2,679</b>	<b>2,773</b>	<b>2,623</b>
<b>Expenditure</b>				
Employee Expenses	1,624	1,611	1,631	1,369
Contractors	630	735	795	830
Administrative Expenditure	489	439	452	379
Depreciation	54	21	13	2
	<b>2,797</b>	<b>2,806</b>	<b>2,891</b>	<b>2,580</b>
<b>Operating Surplus/(Deficit)</b>	<b>(4)</b>	<b>(127)</b>	<b>(118)</b>	<b>43</b>
<i>Comprising:</i>				
<b>Performance Audits</b>	<b>0</b>	<b>(109)</b>	<b>(173)</b>	<b>(21)</b>
<b>Financial Statement Audits</b>	<b>(4)</b>	<b>(18)</b>	<b>55</b>	<b>64</b>

### Comments on Major Revenue and Expenditure Items

3.7 Comments follow on the major sources of revenue and expenditure items, the operating result and the Office's short term financial position.

#### *Revenue Items*

3.8 *Appropriation for Performance Audits* — The Audit Office's appropriation budget is determined by a procedure set in the *Auditor-General Act 1996*. After consultation with the Auditor-General, the Chair of the Public Accounts Committee (which is now incorporated within the Standing Committee on Finance and Public Administration) advises the Treasurer of the level of funding which the Committee considers appropriate for the Office. The amount appropriated for 2000-01 was \$909,000. The appropriated amount was fully drawn during the year.

3.9 *Audit Fees* — Revenue from audit fees was \$1.766m in 2000-01. This was a decrease of \$99,000 or 5.3% from 1999-2000.

3.10 Actual audit fees in 2000-01 were \$111,000 (or 5.9%) under the budget estimate. Fees charged to clients were lower than estimated due to a later start to the financial audits. This meant that fewer hours were charged to clients during the year.

### ***Expenditure Items***

3.11 *Employee Expenses* — Employee expenses were \$1.611m in 2000-01. This was a decrease of \$20,000 or 1.2% from 1999-2000. Actual employee expenses were \$13,000 (or 0.8%) under the budget estimate.

3.12 *Contractors* — Fees paid to contractors for the conduct of financial statement audits and for assistance in the conduct of performance audits was \$735,000. This figure was 16.6% above budget and 7.6% below the amount spent in 1999-00.

3.13 The increase in expenditure over that budgeted was the result of two major factors. Firstly, the cost of several major financial statement audits exceeded their expected costs due to their complexity and problems encountered during the audits. Secondly, new entities such as the ACTEW/AGL and Williamsdale Quarry joint ventures were established during the year. An increase of \$201,000 over budgeted financial audit contract costs was partially offset by a reduction of \$97,000 in budgeted performance audit contract costs.

3.14 The reduction in expenditure in 2000-01 from that incurred in 1999-2000 was mainly the result of a \$73,000 decrease in performance audit contract costs.

3.15 *Administrative Expenditure* — Administrative expenses were \$439,000. This was a decrease of \$13,000 or 2.9% from 1999-00.

3.16 Actual administrative expenses in 2000-01 were \$50,000 (or 10.2%) below budget estimates.

### ***Operating Result***

3.17 The Office's operating result in 2000-01 was a deficit of \$127,000. This was \$9,000 worse than the previous year's outcome and \$123,000 more than the budgeted deficit.

3.18 The result in the main reflects the fact that actual audit fees in 2000-01 were \$111,000 under the budget estimate due to the reduction in

hours charged to financial audits.

### ***Short Term Financial Position***

3.19 A *current ratio* represents the ratio of current assets, such as cash and receivables, to current liabilities, such as creditors and accruals. It is indicative of an entity's ability to meet its obligations in the short term. A current ratio in the range of 1 to 1 to 1.5 to 1 is the minimum usually desirable in a business. That is, it is desirable to have current assets at least equal to current liabilities and preferably to have about 50% more current assets than current liabilities.

3.20 Details of the Office's current ratio for the last two years are presented in the following table.

	<b>2000-01</b>	<b>1999-00</b>	<b>1998-99</b>
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Current Assets</b>			
Cash	135	68	79
Receivables	615	748	476
Investments	0	0	342
Tax Assets	33	0	0
Other	2	9	31
	<b>786</b>	<b>825</b>	<b>928</b>
<b>Current Liabilities</b>			
Creditors and Accruals	73	200	152
Employment Entitlements	149	217	140
Tax Liabilities	80	0	0
Other	176	7	24
	<b>478</b>	<b>424</b>	<b>316</b>
<b>Net Current Assets</b>	<b>308</b>	<b>401</b>	<b>612</b>
<b>Current Ratio</b>	<b>1.6 to 1</b>	<b>2.0 to 1</b>	<b>2.9 to 1</b>

3.21 The Office's ratio of 1.6 to 1 indicates a satisfactory short term financial position although not as strong as in previous years.

## **AUDIT OF THE FINANCIAL STATEMENTS**

3.22 The Office's financial statements for 2000-01 were prepared in accordance with the *Financial Management Act 1996* and are consistent with Australian Accounting Standards. The audited statements are included in *Appendix 1*. The financial statements include all resources used to conduct the functions of the Office.

3.23 An unqualified audit opinion was provided by the independent

auditor to the Treasurer and the Members of the Legislative Assembly on 15 August 2001. The independent auditor was appointed by the Chief Minister in accordance with the *Auditor-General Act 1996*.

## PERFORMANCE MEASURES

3.24 The performance measures used by the Office to assess the efficiency of its overall performance are set out in the following table.

3.25 Details of specific performance measures for financial statement audits and performance audits are included in Chapter 4 and Chapter 5 respectively.

Measure	1997-98 Achieved	1998-99 Achieved	1999-2000 Achieved	2000-01 Planned	2000-01 Achieved	2001-02 Planned
<b>Costs and Revenue:</b>						
Internal costs	\$1.429m	\$1.751m	\$2.096m	\$2.167m	\$2.072m	\$2.465m
Contract audit costs	\$0.571m	\$0.829m	\$0.795m	\$0.630m	\$0.734m	\$0.610m
Total costs	\$2.0m	\$2.580	\$2.891m	\$2.797m	\$2.806m	\$3.075m
Audit cost per hour excluding contract costs	\$60.75	\$66.19	\$64.05	\$69.34	\$65.68	\$75.85
Revenue		\$2.623m	\$2.773m	\$2.793m	\$2.679m	\$3.105m
<b>Quantity:</b>						
Total hours charged to audits	23,639	26,450	32,725	31,250	31,545	32,500
Audit hours as a % of total standard hours		66%	70%	67%	68%	67%
Number of Reports presented to the Legislative Assembly	10	10	2	20	17	16

3.26 Comments follow on the more significant measures.

### Assessment of Performance Against Measures

#### *Costs*

3.27 *Total Costs:* Total actual costs of \$2.806m exceeded planned costs by \$9,000 but were \$85,000 less than the previous year's costs.

3.28 The decreased costs were largely due to reduction in performance audit contractor costs, salaries and training.

3.29 *Audit cost per hour excluding contract costs:* The average audit cost per hour (excluding contract costs) of all audits was \$65.68. This was less than the planned cost of \$69.34 but more than the actual hourly cost of \$64.05 achieved in 1999-2000. The lower hourly cost than planned resulted from a lower internal cost and a higher number of hours charged to audits than planned.

### *Quantity*

3.30 *Total hours charged to audits:* The total number of hours charged to audits was 31,545 compared with a planned 31,250 hours. Actual hours spent on financial statement audits was less than budget by 3,159 hours and actual hours spent on performance audits was higher than budget by 3,454 hours.

3.31 *Audit hours as a percentage of total standard hours:* Chargeable audit hours as a percentage of standard hours was 68%. This exceeded the target for the year of 67%. This measure indicates the productivity of Office staff, which was higher than planned.

3.32 *Number of reports presented to the Assembly:* Seventeen reports were presented to the Legislative Assembly compared with the performance measure target of twenty. The reports tabled were fifteen performance audit reports, the Office's 1999-2000 annual management report and the annual report on the outcomes of financial statement audits completed in 1999-2000. The failure to meet the performance measure target was due to a shortfall in the number of performance audit reports presented to the Assembly. Eighteen had been planned. This matter is discussed in Chapter 5 of this Report.

### *Summary*

3.33 The Office's view is that performance was satisfactory when assessed against the performance measure targets. The notable failure to meet a performance measure target was in performance reports presented to the Legislative Assembly. This resulted from a longer time taken to resume other performance audits set aside during the conduct of the performance audit of the Bruce Stadium redevelopment in 1999 and 2000. Twelve reports from this audit were presented to the Assembly in September 2000 and two were presented in June 2001.

## FINANCIAL OUTLOOK FOR 2001-2002

3.34 The 2001-02 Budget Estimates, presented to the Legislative Assembly on 1 May 2001, advised that the Office had budgeted for an operating profit of \$30,000 in 2001-02.

3.35 Total revenue was budgetted to be \$3.105m. This amount includes revenue of \$2.165m from financial statement audit fees and an appropriation of \$0.925m for the conduct of performance audits.

3.36 Total expenses were budgetted to be \$3.075m. This amount includes employee expenses and administrative expenses of \$1.825m and \$1.225m respectively.

3.37 Revenue is expected to increase by 15.9% over the previous year's actual revenue and expenditure is expected to increase by 9.6%.

3.38 Revenue is budgetted to increase mainly through the generation of additional fees from financial statement audits. The increases in revenue are expected to more than offset increases in the Office's expenses that are expected in 2001-02.

3.39 The Office's operating result is expected to improve from a loss of \$127,000 in 2000-01 to a profit of \$30,000 in 2001-02.

3.40 The Office plans for the number of hours charged to audits to be 32,500. An average cost rate of \$75.85 per hour will result.

3.41 Readers should note that a complete review of the 2001-02 budget was being undertaken at the time this Report was being finalised. The review is intended to ensure that the 2000-01 operating loss is converted to a significant operating surplus in 2001-02. The review will result in changes to the information presented above.



## 4 FINANCIAL STATEMENT AUDITS

### PERFORMANCE MEASURES

4.1 The performance measures used by the Office to assess the efficiency of the conduct of audits of financial statements are set out in the following table.

Measures	1997-98 Actual	1998-99 Actual	1999-2000 Actual	2000-01 Planned	2000-01 Actual	2001-02 Planned
<b>Costs and Fees:</b>						
Internal costs	\$0.891m	\$1.082m	\$1.13m	\$1.393m	\$1.092m	\$1.580m
Contract audit costs	\$0.301m	\$0.592m	\$0.684m	\$0.495m	\$0.696m	\$0.570m
Total costs	\$1.192m	\$1.674m	\$1.814m	\$1.888m	\$1.788m	\$2.150m
Audit cost per hour excluding contract costs	\$58.41	\$62.82	\$59.17	\$66.33	\$61.20	\$73.49
Fees Charged			\$1.865m	\$1.877m	\$1.766m	\$2.165m
<b>Quantity:</b>						
Total hours charged to audits	15,255	17,223	19,097	21,000	17,841	21,500
Number of Audit opinions issued on financial statements	58	74	74 <sup>1</sup>	72	74	79
Number of Reports presented to the Legislative Assembly	1	1	1	1	1	1
<b>Quality/Effectiveness:</b>						
Audits performed to Professional Standards	Not assessed	Independent performance audit	Internal assessment	Internal assessment	Target met	Internal assessment
Chief Executives' satisfaction			100%	90%	86.7%	90%
<b>Timeliness:</b>						
Audits completed within 3 months of the end of the period	93%	100%	74%	75%	86%	75%
Audits completed within the statutory time period		100%	100%	100%	100%	100%

4.2 Comments follow on the more significant measures.

<sup>1</sup> A full listing of audits completed in 1999-2000 is included in *Appendix 2*.

## ASSESSMENT OF PERFORMANCE AGAINST MEASURES

### *Costs and Fees*

4.3 *Total costs:* Total costs charged to financial audits were \$1.788m compared with a planned \$1.888m. The actual costs were also less than 1999-2000 costs which were \$1.814m.

4.4 *Audit cost per hour excluding contract costs:* The average audit cost per hour (excluding contract costs) of financial audits was \$61.20. This was less than the planned cost of \$66.33 but more than the actual hourly cost of \$59.17 achieved in 1999-2000. The rise in the actual hourly cost was the result of a fall in the number of hours charged to audits.

4.5 *Fees charged:* As previously stated the total costs of financial audits were \$100,000 less than planned. Fees charged for audits were less than planned by a similar amount. Fees charged were \$1.766m compared with a planned \$1.877m.

### *Quantity*

4.6 *Total Hours Charged to Audits:* Hours charged to financial statement audits in 2000-01 were 17,841. This was less than in the previous year.

4.7 *Number of Audit opinions issued on financial statements:* During 2000-01, 74 financial statement audits were completed and audit opinions issued on the statements. A complete list of audits completed in 2000-01 is provided in *Appendix 2*.

### *Quality/Effectiveness*

4.8 *Chief Executive's satisfaction:* Fifteen auditees were selected as a sample of Chief Executives to be surveyed for their opinion on the Office's performance in conducting financial statement audits. Fifteen responses were received. Eleven ranked the Office's performance as good or very good. Two ranked the performance as satisfactory and two ranked the performance as poor. The comments provided in these two responses have been taken into account in planning future audits.

### *Timeliness*

4.9 Eighty six percent of all audits were completed within three months of the end of the financial year. This compares with a target of 75 percent and a result of 74 percent in 1999-2000. The Auditor-General Act requires

audit opinions on financial audits to be issued within 30 days of receipt of the signed financial statements. All audits were completed within this statutory time period.

*Summary*

4.10 Overall, the Office view is that it performed satisfactorily when assessed against the performance measure targets for financial statement audits. Most variations against targets were better than expected results.

**AUDIT REPORT ON FINANCIAL STATEMENT AUDIT  
OUTCOMES**

4.11 A summary of agencies' financial statement audits was presented in *Financial Audits with Years Ending to 30 June 2000* (Report No. 1 2001).

4.12 This report also discusses the Territory's financial results and a range of issues in regard to financial reporting.

## 5 PERFORMANCE AUDITS

### PERFORMANCE MEASURES

5.1 The measures used by the Office to assess the efficiency of performance audit operations are set out in the following table:

Measure	1997-98 Actual	1998-99 Actual	1999-2000 Actual	2000-01 Planned	2000-01 Actual	2001-02 Planned
<b>Costs and Appropriation:</b>						
Internal costs	\$0.545m	\$0.669m	\$0.966m	\$0.774m	\$0.980m	\$0.885m
Contract audit costs	\$0.270m	\$0.238m	\$0.111m	\$0.135m	\$0.038m	\$0.040m
Total costs	\$0.815m	\$0.907m	\$1.077m	\$0.909m	\$1.018m	\$0.925m
Audit cost per hour excluding contract costs	\$65.00	\$72.48	\$70.88	\$75.51	\$71.51	\$80.45
Appropriation			\$0.904m	\$0.909m	\$0.909m	\$0.925m
<b>Quantity:</b>						
Total hours charged to audits	8,384	9,227	13,628	10,250	13,704	11,000
Number of Reports presented to the Legislative Assembly	8	8	0	18	15	15
<b>Quality/Effectiveness:</b>						
Audits performed to Professional Standards	Not Assessed	Independent Performance Audit	Internal Assessment	Internal Assessment	Target met	Internal Assessment
Legislative Assembly Members' satisfaction with reports quality			Not measurable	90%	100%	90%
<b>Timeliness:</b>						
Percentage of audits completed within 9 months	56%	50%	0%	11%	7% <sup>2</sup>	100%

5.2 Comments follow on the more significant measures.

<sup>2</sup> Eighteen performance audit reports were to be completed in 2000-01. Twelve reports related to the redevelopment of Bruce Stadium. They were not completed within 9 months of commencement. In addition, because of the resourcing requirements of the Bruce Stadium audit, completion of other audits was delayed.

## ASSESSMENT OF PERFORMANCE AGAINST MEASURES

### *Costs and Appropriations*

5.3 *Total costs:* Total costs charged to performance audits were \$1.018m compared with a planned \$909,000. The increased cost was a direct result of the application of resources to the conduct of the audit of the Bruce Stadium redevelopment. The additional resources show in the measures as audit hours charged to performance audits being significantly in excess of the hours planned (see *quantity* measures).

5.4 *Audit costs per hour:* The average audit cost per hour (excluding contract costs) of performance audits was \$71.51. This was less than the planned cost of \$75.51 but more than the actual hourly cost of \$70.88 achieved in 1999-2000. The lower hourly cost than planned resulted from an increase in the productivity of Office staff. The increased productivity is reflected in the number of hours charged to audits compared to those planned for the year.

5.5 *Appropriation:* The appropriation provided for performance audits was inadequate to meet the actual costs. The excess was met by the Office drawing on its reserves accumulated in previous years. As a result the Office's retained profits fell from \$367,000 at the end of 1999-2000 to \$240,000 at the end of 2000-01.

### *Quantity*

5.6 *Total hours charged to audits:* The total hours charged to performance audits was significantly more than the target hours and slightly more than the previous year's hours charged. This was the result of the continuing heavy use of resources to conduct the Bruce Stadium redevelopment performance audit and of a shift in resources from financial to performance audits.

5.7 *Reports tabled in the Assembly:* The performance measure target for reports to be presented in the Legislative Assembly was eighteen and the actual result was fifteen. Twelve reports on the Bruce Stadium audit were tabled in the Legislative Assembly in September 2000. Work was then resumed on several audits set aside for the duration of the Bruce Stadium audit and several new audits were commenced. A further three reports were tabled in the first half of 2001. Two of these were further reports on the Bruce Stadium audit.

*Quality/Effectiveness*

5.8 *Survey of Assembly Members:* The performance measure targets for quantity/effectiveness included a survey of Assembly members to gauge their satisfaction with the quality of the Office's performance audit reports. A survey was distributed to the 17 Members of the Assembly in February 2001. Seven responses were received. On a five point scale from very poor to very good, five of the respondents rated the performance audits of the Office as very good, one rated the audits as good and one rated them as satisfactory. The satisfaction rating of respondents was therefore 100%

5.9 *Survey of Chief Executives* – For the first time, the Office has surveyed Chief Executives for their views on performance audits conducted by the Office. Three Chief Executives were surveyed and all responded. Two responses ranked the Office's performance as good or very good and one ranked the Office's performance as poor. The comments provided in these responses have been taken into account in planning future audits.

*Timeliness*

5.10 The targeted timeliness measure was not met. This was also a result of the Office's focus in 1999 and 2000 on the Bruce Stadium redevelopment audit.

*Summary*

5.11 Overall the Office considers it performed satisfactorily in 2000-01 against the planned performance measure targets, given the circumstances in which the Office conducted its performance audit activities throughout 2000-01.

**REPORTS IN PROGRESS**

5.12 At 30 June 2001, 10 performance audits were in progress for completion in 2001-02. These audits were:

- The Administration of Payroll Tax (this was tabled as Report No. 5, 2001 on 22 August 2001);
- Public Interest Disclosure on Corrective Services
- Annual Reports Checklist Verification

- Administration of the Freedom of Information Act;
- Management of Urban Parks;
- Internal Audit Framework;
- Statutory Authorities – Governance Arrangements
- Relocation of CTEC to Brindabella Business Park;
- Administration of the Training Grant provided by the Agents Board to the Real Estate Institute of the ACT; and
- The V8 Car Race.

5.13 Other audits will be commenced for completion in 2001-02.

## 6 IMPLEMENTATION OF PERFORMANCE AUDIT RECOMMENDATIONS

### INTRODUCTION

6.1 In 1998-99, Audit Victoria undertook a performance audit of the Auditor-General's Office under *Section 27* of the *Auditor-General Act 1996*. The results of that audit were reported in the Auditor-General's Annual Management Report for the year ended 30 June 1999.

6.2 The performance audit's overall conclusion was that the Audit Office was operating economically, efficiently and effectively. The auditors also identified that, in their opinion, scope existed for the Office to further enhance its effectiveness. In this regard, the auditor made 44 specific recommendations.

6.3 The performance auditors recognised, when making their recommendations, that each recommendation would be subjected to a cost effectiveness review and further consideration before implementation. The performance auditors did not assess cost effectiveness when developing their recommendations.

6.4 This chapter updates the Office's progress in implementing the recommendations made by Audit Victoria. For ease of reference the recommendations referred to in this chapter use the same reference numbers as in Chapter 6 of the 1999-2000 Annual Management Report.

### IMPLEMENTATION SUMMARY

6.5 Table 6.1 sets out the overall position with the 44 recommendations made by the performance auditors.

<b>Status</b>	<b>No.</b>
Implemented – 1998-1999	8
Implemented – 1999-2000	10
Implemented – 2000-2001	<u>10</u>
<b>Total Recommendations Implemented</b>	28
Implementation outside Office's control	2
Not to be implemented	<u>14</u>
<b>Total Recommendations</b>	<b>44</b>

6.6 Recommendations progressed to finalisation during 1998-99 and



1999-2000 were reported in Chapter 6 of the 1999-2000 Annual Management Report and are not discussed further in this report.

6.7 The remainder of this Chapter outlines the considerations and actions in relation to each of the recommendations progressed to finalisation during 2000-2001.

### **RECOMMENDATIONS IMPLEMENTED IN 2000-2001**

6.8 Ten recommendations were implemented during 2000-2001. Summary comments are provided below.

#### **Auditee Satisfaction with Performance Audits**

*Recommendation 9:* That agency satisfaction surveys be conducted after the completion of each performance audit.

*Response:* Implemented. Following completion of the Bruce Audit, the views of the Chief Executive of CMD on the conduct of the audit were sought. It is planned that similar requests will be forwarded to Chief Executives following the completion of all performance audits.

#### **Methodology**

*Recommendation 14:* That the Auditor-General formally document the Office's performance audit methodology.

*Response:* Implemented. The Auditor-General has endorsed a statement of performance audit principles. Attached to the statement is a guide on the types of performance audits and how they should be undertaken. The statement is available on the Office's web site.

#### **Selection and Prioritisation of Performance Audits**

*Recommendation 15:* That the Auditor-General re-assess his existing approach for the selection and prioritisation of performance audits.

*Response:* Implemented. The Office's method of selecting performance audits has been reassessed. The Auditor-General will nominate some audits and establish their priority in the overall audit program. The selection of most audits, however, will be in the hands of the Office's performance audit managers. Where

appropriate, the selection of performance audits is to be made following assessments by managers of their portfolio of agencies. In these cases, managers will submit their proposals to the Auditor-General for approval prior to commencement of individual audits.

### **Quality Assurance Procedures**

**Recommendation 22:** That quality assurance processes for performance audits be formally documented.

**Response:** Implemented. The Director, Performance Audits and Administration has issued a performance audit management plan for 2001-02. That plan sets out arrangements for the peer review of all performance audits.

### **Selection and Engagement of Contractors**

**Recommendation 27:** That the Office document key procedures to be adopted in selecting and engaging contractors to assist in the conduct of performance audits.

**Response:** Implemented. The Auditor-General has approved a guideline on purchasing policies and principles for the Office. The guideline is based on the ACT Government purchasing policies and principles guideline. The guideline addresses all types of purchasing and not just acquiring services from contractors engaged to assist in the conduct of performance audits.

### **Management of Contractors**

**Recommendation 29:** That the Office documents appropriate procedures for managing and monitoring contractors.

**Response:** Implemented. The Auditor-General has approved a guideline on managing contracts for the Office. The guideline is based on an exposure draft prepared by the Department of Urban Services.

### **Training in Contract Management**

**Recommendation 30:** That the Office initiate formal training in contract management and performance monitoring for performance audit managers.

**Response:** Implemented. The Director, Performance Audits and Administration, has undertaken training in contract management skills. As the Office is not currently seeking to contract out major aspects of performance audits, it is considered that little would be gained by the further training of managers at this time. If the situation were to change, appropriate training could be undertaken at that time.

### **Surveys of Legislative Assembly Members**

**Recommendation 35:** That surveys of Legislative Assembly Members be undertaken annually rather than triennially.

**Response:** Annually surveying Members appears excessive. The triennial survey sent to all 17 Members on 12 February 2001 elicited 7 responses. (These responses from Members are discussed elsewhere in this report.)

A formal approach was made to the Legislative Assembly Standing Committee on Finance and Public Administration to ascertain whether it would agree to provide an assessment in the years when the whole Assembly is not surveyed. The Committee has agreed to this arrangement, provided that Members are also advised of the survey, so that they may provide comments to the Committee should they wish.

### **Surveys of Audited Agencies**

**Recommendation 36:** That surveys of audited agencies be undertaken after each audit (financial and performance) and the results be presented in the Annual Management Report.

**Response:** Implemented. A sample of financial statement auditees has been surveyed. The results of the first survey are included elsewhere in this report. Please refer to the response to recommendation 9 for comments on surveys of agencies that have been involved in performance audits.

### **Follow Up Audits**

**Recommendation 37:** That consideration be given to annually allocating resources to follow-up on the key matters arising from at least one past performance audit in full or in part.

**Response:** Implemented. Following completion of the performance audit of the redevelopment of Bruce Stadium, it was decided to follow-up that audit with a report that made a number of suggestions for future actions that arose out of the opinions, findings and comments of the original audit.

The Director, Performance Audits and Administration, has issued a performance audit management plan for 2001-02. That plan is to be reviewed every six months. Each review will include an update of the performance audit program and at that time consideration will be given to following up previous audits.

## **RECOMMENDATION FOR WHICH IMPLEMENTATION IS OUTSIDE THE AUDIT OFFICE'S CONTROL**

6.9 The following recommendation requires action by others before further consideration could be given to its implementation.

### **Auditing Statements of Performance**

**Recommendation 40:** That the Auditor-General expand the scope of his audits of performance information to attest to the relevance and appropriateness of that data.

**Response:** The Chief Executive of Treasury is currently leading an inter-departmental review of performance measures. The Chief Executive of the Chief Minister's Department and the Auditor-General are members of that review. In the circumstances it would be inappropriate to take any action on this recommendation until the review is finalised and decisions taken on it.

## **RECOMMENDATIONS NOT TO BE IMPLEMENTED**

6.10 The following three recommendations will not be implemented for the reasons explained below.

### **Private Sector Contractors**

**Recommendation 28:** That the Office's existing standard performance audit contract be reviewed.

**Response:** The Office is not planning to outsource any major performance audit contracts in the foreseeable future. Accordingly, there would be little benefit in reviewing the Office's present contracts. If the Office decides to contract out performance audit work, existing contracts will be reviewed at that time.

### **A Risk-Based Approach to Auditing Performance Measures**

**Recommendation 41:** That the Auditor-General use his judgement to selectively audit performance measures by applying a risk-based approach in auditing the statements of performance. This approach would further enhance the cost-effectiveness of these audits.

**Response:** The Office uses a standard risk-based approach to audit statements of performance. It is understood the performance auditors had in mind adopting an approach that would involve not subjecting some performance measures to any form of audit work. This is not a generally accepted risk based approach. Under current Auditing Standards an unqualified audit opinion could not be issued using the approach suggested by the performance auditors.

In view of the cost of auditing statements of performance the issue has been seriously examined in the Office ever since the requirement to audit performance measures was introduced in 1996-97. The approach taken by this Office is the same as that taken by Western Australia, the only other Australian Audit Office legislatively required to audit performance measures.

### **Australasian Council of Auditors-General Benchmarking**

**Recommendation 44:** That consideration be given to including pertinent benchmarking data prepared for the Australasian Council of Auditors-General, such as the cost of conducting audits and productivity levels in the Annual Management Report.

**Response:** Information is available that would enable the inclusion of comparative data on the performance of individual Audit Offices.

It would be misleading, however, to publish this data without also including detailed explanations of the major contributing factors to variations between the results for different jurisdictions. The reasons for the variations between the results in different jurisdictions include different audit mandates, the different sizes of each jurisdiction, different organisational structures and different cost structures. On balance it is considered that the publication of such data would not be helpful and would not be cost-effective.

## CONCLUSION

6.11 All of the recommendations arising from Audit Victoria's performance audit of the Office have now been substantively addressed. Some 28 or 64% of the recommendations have been implemented. Implementation of two of the remaining recommendations are outside the Office's control and 14 recommendations will not be implemented.

6.12 One of the recommendations outside of the Office's control would involve amending the *Auditor-General Act 1996* to enable the Auditor-General to audit public grants provided to non-government authorities. In November 2000, an independent Member of the Legislative Assembly introduced a Bill to amend the Auditor-General Act. In responding to an invitation to comment on that Bill, the Auditor-General suggested an additional amendment to the Act that would address Audit Victoria's recommendation. The suggestion is still receiving consideration.

6.13 The other recommendation outside of the Office's control related to expanding the scope of the Auditor-General's audits of performance information. As the Chief Executive of Treasury is currently leading an inter-departmental review of performance measures, it would be inappropriate to take any action on this recommendation until the review is finalised and decisions taken on it.

6.14 Most of the recommendations that will not be implemented were rejected on the judgement that they are not relevant or are unnecessary. In addition, some recommendations would have imposed an additional cost that could not be justified.

*Appendix 1*

**AUDITED FINANCIAL STATEMENTS**

## AUDITED FINANCIAL STATEMENTS

Auditor-General's Office for the Australian Capital Territory

### FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2001

#### STATEMENT OF RESPONSIBILITY

In my opinion, the accompanying statements of the Auditor-General's Office for the Australian Capital Territory for the period 1 July 2000 to 30 June 2001, consisting of:

Statement of Financial Performance;

Statement of Financial Position;

Statement of Cash Flows;

Statement of Appropriation;

Statement of Performance; and

Notes to and forming part of the Financial Statements;

fairly reflect the financial operations and service performance of the Office for the year and the financial position at the end of the year.

*John A Parkinson FCPA*

*Auditor-General*

15 August 2001



**Statement of Financial Performance  
for the Year Ended 30 June 2001**

Actual 1999-2000 \$		Note	Actual 2000-2001 \$	Budget 2000-2001
<b>REVENUES FROM ORINARY ACTIVITIES</b>				
904,000	Appropriation – Performance Audits		909,000	909,000
1,865,223	Audit Fees		1,765,817	1,877,000
3,749	Interest		4,244	7,000
<b>2,772,972</b>	<b>Total Revenue from Ordinary Activities</b>		<b>2,679,061</b>	<b>2,793,000</b>
<b>EXPENSES FROM ORDINARY ACTIVITIES</b>				
1,630,574	Employee Expenses	2(b),3	1,610,621	1,624,000
1,247,614	Operating and Administrative Expenses	4	1,173,689	1,119,000
12,850	Depreciation	2(c),5	21,363	54,000
<b>2,891,038</b>	<b>Total Expenses from Ordinary Activities</b>		<b>2,805,673</b>	<b>2,797,000</b>
<b>(118,066)</b>	<b>Operating Deficit from Ordinary Activities</b>	6	<b>(126,612)</b>	<b>(4,000)</b>
<b>(118,066)</b>	<b>Change in Equity other than those resulting from transactions with Owners as owners</b>	16	<b>(126,612)</b>	<b>(4,000)</b>

The above Statement should be read in conjunction with the accompanying notes.

Statement of Financial Position  
as at 30 June 2001

Actual 2000 \$		Note	Actual 2001 \$	Budget 2001 \$
<b>CURRENT ASSETS</b>				
68,144	Cash	7	134,546	372,000
748,334	Receivables	8	615,241	453,000
0	Tax Assets	9	33,489	0
8,876	Other	10	2,273	30,000
<b>825,354</b>	<b>Total Current Assets</b>		<b>785,549</b>	<b>855,000</b>
<b>NON-CURRENT ASSETS</b>				
83,210	Plant and Equipment	11	90,069	60,000
<b>83,210</b>	<b>Total Non-Current Assets</b>		<b>90,069</b>	<b>60,000</b>
<b>908,564</b>	<b>Total Assets</b>		<b>875,618</b>	<b>915,000</b>
<b>CURRENT LIABILITIES</b>				
199,618	Payables	12	72,635	152,000
217,006	Provisions	13	149,223	139,000
0	Tax Liabilities	14	80,202	0
6,735	Other	15	176,252	0
<b>423,359</b>	<b>Total Current Liabilities</b>		<b>478,312</b>	<b>291,000</b>
<b>NON-CURRENT LIABILITIES</b>				
118,280	Provisions	13	156,993	127,000
<b>118,280</b>	<b>Total Non-Current Liabilities</b>		<b>156,993</b>	<b>127,000</b>
<b>541,639</b>	<b>Total Liabilities</b>		<b>635,305</b>	<b>418,000</b>
<b>366,925</b>	<b>Net Assets</b>		<b>240,313</b>	<b>497,000</b>
<b>GOVERNMENT EQUITY</b>				
366,925	Retained Profits	16	240,313	497,000
<b>366,925</b>	<b>Total Government Equity</b>		<b>240,313</b>	<b>497,000</b>

The above Statement should be read in conjunction with the accompanying notes.

**Statement of Cash Flows  
for the Year Ended 30 June 2001**

Actual 1999-2000 \$		Note	Actual 2000-2001 \$	Budget 2000-2001 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
904,000	<b>RECEIPTS</b>		909,000	909,000
1,679,828	Appropriation for Performance Audits		2,008,868	1,877,000
4,819	Audit Fees		4,244	7,000
0	Interest		139,385	188,000
0	GST collected on Delivery of Service		81,395	113,000
	GST refund from Australian Taxation Office			
<b>2,588,647</b>	<b>Total Inflows from Operating Activities</b>		<b>3,142,892</b>	<b>3,094,000</b>
<b>PAYMENTS</b>				
1,652,666	Employee Expenses		1,543,004	1,624,000
1,192,605	Administrative Expenses		1,290,690	1,119,000
0	GST Payment on Receipt of Good or Service		109,421	113,000
0	GST Remittance to Australian Taxation Office		105,152	188,000
<b>2,845,271</b>	<b>Total Outflows from Operating Activities</b>		<b>3,048,267</b>	<b>3,044,000</b>
<b>(256,624)</b>	<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	18	<b>94,625</b>	<b>50,000</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>RECEIPTS</b>				
642,000	Proceeds from Sales/Maturities of Investments		300,000	0
<b>642,000</b>	<b>Total Inflows from Investing Activities</b>		<b>300,000</b>	<b>0</b>
<b>PAYMENTS</b>				
(96,060)	Purchase of Property, Plant & Equipment		(28,223)	0
(300,000)	Cash outflow for investments		(300,000)	0
<b>(396,060)</b>	<b>Total Outflows from Investing Activities</b>		<b>(28,223)</b>	<b>0</b>
<b>245,940</b>	<b>Net Cash Inflows/ (Outflows) from Investing Activities</b>		<b>0</b>	<b>0</b>
<b>(10,684)</b>	<b>Net Increase/(Decrease) in Cash Held</b>		<b>66,402</b>	<b>50,000</b>
78,828	Cash at the Beginning of the Financial Year		68,144	322,000
<b>68,144</b>	<b>Cash at the End of the Financial Year</b>	7	<b>134,546</b>	<b>372,000</b>

The above Statement should be read in conjunction with the accompanying notes.



**Statement of Appropriation  
for the Year Ended 30 June 2001**

<b>1999-2000 Appropriation Drawn \$</b>	<b>Notes</b>	<b>2000-2001 Original Budget \$</b>	<b>2000-2001 Total Appropriated \$</b>	<b>2000-2001 Appropriation Drawn \$</b>
904,000	Appropriation for performance audits	909,000	909,000	909,000
0	Capital Injections	0	0	0
0	Expenses on behalf of the Territory	0	0	0
<b>904,000</b>	<b>Total</b>	<b>909,000</b>	<b>909,000</b>	<b>909,000</b>

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The above Statement should be read in conjunction with the accompanying notes.

## Auditor-General for the Australian Capital Territory

Notes to the Financial Statements  
For the Year Ended 30 June 2001**1. Objectives**

The Office's objectives are to undertake a program of audits in order to produce independent reports with the purpose of:

- promoting a well informed electorate by ensuring that Legislative Assembly members, as the elected representatives of the people, are provided with accurate, complete and useful information about the management of public sector resources; and
- promoting the economic, efficient and effective use of public resources by providing the Legislative Assembly, the Executive and public sector officials with independent advice relating to improving the management of those resources.

**2. Significant Accounting Policies****(a) Basis of Accounting**

The financial report has been prepared in accordance with the ACT Accounting Policy Manual Australian Accounting Standards and other mandatory professional reporting requirements where applicable. The report has been prepared using historical cost accounting.

The accounting policies adopted are consistent with those of the previous year, except for the depreciation of non-current assets outlined in Note 2(c).

**(b) Employee Expenses**

Employee expenses include entitlements to wages and salaries, long-service leave, recreational leave and superannuation benefits.

Long-service leave is recognised on a pro-rata basis in respect of services provided by employees up to the reporting date who have service eligibility in excess of five years. All long service leave entitlements have been classified as non-current liabilities as there are no indications that any entitled staff member will take long service leave within one year.

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.

**(c) Depreciation of Non-Current Assets**

All non-current assets having a limited useful life are systematically depreciated over their useful lives in a manner, which reflects the consumption of their service potential.

Depreciation is calculated on a straight-line basis, using rates, which are reviewed annually.

The useful lives of non-current assets are as follows:

- |                          |         |
|--------------------------|---------|
| • Computer Equipment     | 5 Years |
| • Office Equipment       | 5 Years |
| • Office Fitout          | 5 Years |
| • Furniture and Fittings | 5 Years |

The useful life of Computer Equipment – Software Licence Fees has been revised prospectively, from 1 July 2000 from 2 years to 5 years. The effect of this revision has resulted in a depreciation charge of \$14,207. Had the useful life remained at 2 years, the depreciation charge would have been \$35,517.

(d) Superannuation Expense

An amount of \$162,652 (\$158,840 in 1999-200) was paid to the Superannuation Provision Unit to meet the accrued superannuation expense for staff in the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme. \$17,885 was recovered from other ACT agencies reflecting the reimbursement for staff members on secondment.

In accordance with terms and conditions of appointment determined by the ACT Remuneration Tribunal for the Auditor-General monthly payments are made to a private superannuation fund. The amount applicable for the reporting period was \$40,302 (\$32,856 in 1999-2000).

(e) Revenue Recognition

Revenue is recognised to the extent that the probable economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Appropriation- Performance Audits

Revenue is recognised to the extent of services performed. Where services performed exceed the appropriation received from the Government, revenue is recognised only to the extent of the appropriation. The appropriation is a fixed amount, determined by consultation with the Auditor-General and the Standing Committee on Finance and Public Administration and agreed by the Treasurer.

Audit Fees

The ACT Audit Office is required to charge a fee for all financial statement audits. Revenue from these audits is recognised where the amount can be reliably measured by reference to the stage of completion of the audit. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each audit.

Interest

Control of a right to receive consideration has been attained.

(f) Transactions on Behalf of the Territory

The Office does not carry out transactions on behalf of the Territory.

**3. Employee Expenses**

Employee Expenses comprise:

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Salaries	1,319,580	1,377,497
Annual Leave	(11,081)	7,427
Long Service Leave	38,713	9,250
Superannuation		
- Auditor General [see Note (2d)]	40,302	32,856
- Other Staff [see Note (2d)]	144,767	140,033
Temporary Audit Staff – Financial Audits	78,340	63,511
	<hr/>	<hr/>
	<b>1,610,621</b>	<b>1,630,574</b>

**4. Operating and Administrative Expenses**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Audit Contractors- Performance audits	38,444	111,308
- Financial audits	<u>696,176</u>	<u>684,090</u>
	734,620	795,398
Fringe Benefits Tax	29,426	28,461
Rental and Property expenses	125,186	123,396
IT Expenses	85,444	77,023
Printing	34,213	5,315
Telephones	14,991	15,472
Payroll and Recruitment Processing	12,369	15,130
Training	21,732	73,241
Vehicle Lease Expenses	20,877	29,289
Other	94,831	84,889
	<hr/>	<hr/>
	<b>1,173,689</b>	<b>1,247,614</b>

**5. Depreciation Expense**

Depreciation expense for the reporting period was charged in respect of:

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Office Fitout	3,720	1,162
Office Equipment	663	0
Computer Equipment	15,695	11,287
Furniture and Fittings	1,285	401
	<hr/>	<hr/>
	<b>21,363</b>	<b>12,850</b>



**6. Reconciliation of Operating Results**

	<b>Performance Audit \$'000 1999-2000</b>	<b>Performance Audit \$'000 2000-2001</b>	<b>Financial Audit \$'000 1999-2000</b>	<b>Financial Audit \$'000 2000-2001</b>
<b>REVENUE</b>				
Appropriation	904	909	0	0
Audit Fees Collected	0	0	1,865	1,766
Interest	0	0	4	4
<b>Total Revenue</b>	<b>904</b>	<b>909</b>	<b>1,869</b>	<b>1,770</b>
<b>EXPENSES</b>				
<b>Total Expenses</b>	<u>1,077</u>	<u>1,018</u>	<u>1,814</u>	<u>1,788</u>
<b>Operating Surplus/(Deficit)</b>	<u>(173)</u>	<u>(109)</u>	<u>55</u>	<u>(18)</u>

**7. Cash**

	<b>2000-2001 \$</b>	<b>1999-2000 \$</b>
Bank	134,046	67,644
Petty Cash	500	500
<b>Total</b>	<u>134,546</u>	<u>68,144</u>

**8. Receivables**

	<b>2000-2001 \$</b>	<b>1999-2000 \$</b>
Trade Debtors	519,389	631,920
Accrued Financial Audit Income	95,852	96,422
Other Accrued Revenue	0	19,992
<b>Total</b>	<u>615,241</u>	<u>748,334</u>

**9. Tax Assets**

	<b>2000-2001 \$</b>	<b>1999-2000 \$</b>
GST Paid on Supplies	33,489	0
<b>Total</b>	<u>33,489</u>	<u>0</u>

**10. Other Current Assets**

	<b>2000-2001 \$</b>	<b>1999-2000 \$</b>
Prepayments	2,273	8,876
<b>Total</b>	<u>2,273</u>	<u>8,876</u>

**11. Plant and Equipment**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Office Equipment (at cost)	30,201	24,301
Less accumulated depreciation	(24,964)	(24,301)
	<u>5,237</u>	<u>0</u>
Office Fitout (at cost)	18,601	18,601
Less accumulated depreciation	(4,882)	(1,162)
	<u>13,719</u>	<u>17,439</u>
Computer Equipment (at cost)	93,357	71,034
Less accumulated depreciation	(26,983)	(11,287)
	<u>66,374</u>	<u>59,747</u>
Furniture and Fittings (at cost)	20,927	20,927
Less accumulated depreciation	(16,188)	(14,903)
	<u>4,739</u>	<u>6,024</u>
<b>Total Plant and Equipment (at cost)</b>	<b>163,086</b>	<b>134,863</b>
<b>Less Accumulated Depreciation</b>	<b>(73,017)</b>	<b>(51,653)</b>
	<u><b>90,069</b></u>	<u><b>83,210</b></u>

**Reconciliations of the carrying amounts of Plant and Equipment at the beginning and the end of the current and previous financial year**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
<b>Office Equipment</b>		
Carrying amount at beginning	0	0
Additions	5,900	0
Depreciation expense	(663)	0
Carrying amount at end	<u>5,237</u>	<u>0</u>
<b>Office Fitout</b>		
Carrying amount at beginning	17,439	0
Additions	0	18,601
Depreciation expense	(3,720)	(1,162)
Carrying amount at end	<u>13,719</u>	<u>17,439</u>
<b>Computer Equipment</b>		
Carrying amount at beginning	59,747	0
Additions	22,322	71,034
Depreciation expense	(15,695)	(11,287)
Carrying amount at end	<u>66,374</u>	<u>59,747</u>
<b>Furniture and Fittings</b>		
Carrying amount at beginning	6,024	0
Additions	0	6,425
Depreciation expense	(1,285)	(401)
Carrying amount at end	<u>4,739</u>	<u>6,024</u>

**12. Payables**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Creditors and Accruals	72,635	199,618
	<b>72,635</b>	<b>199,618</b>

**13. Provisions**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
<b>Current Provisions</b>		
Accrued Salaries	44,154	43,837
Provision for Redundancy	0	57,019
Provision for Recreation Leave	105,069	116,150
	<b>149,223</b>	<b>217,006</b>
<b>Non Current Provisions</b>		
Provision for Long Service Leave	156,993	118,280
	<b>156,993</b>	<b>118,280</b>

**14. Tax Liabilities**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
GST Collected on Sales	80,202	0
Total	<b>80,202</b>	<b>0</b>

**15. Other Current Liabilities**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Revenue In Advance – Audit Fees	176,252	6,735
	<b>176,252</b>	<b>6,735</b>

**16. Retained Profits**

	<b>2000-2001</b>	<b>1999-2000</b>
	\$	\$
Carrying Amount at the Beginning of the Year	366,925	484,991
Operating Surplus/(Deficit) from Ordinary Activities	(126,612)	(118,066)
<b>Balance at the End of the Year</b>	<b>240,313</b>	<b>366,925</b>

**17. Auditor's Remuneration**

The Treasurer appointed the auditor. The auditor's remuneration for 2000-2001 is \$5,000. (1999-2000: \$5,000).



**18. Reconciliation of Operating Result to Net Cash Inflows/(Outflows) from Operating Activities**

	<b>2000-2001</b>	<b>1999-2000</b>
	<b>\$</b>	<b>\$</b>
<b>Operating Surplus/(Deficit)</b>	(126,612)	(118,066)
Depreciation	21,363	12,850
<i><b>Change in Assets and Liabilities</b></i>		
Increase/(Decrease) in Payables	(126,982)	47,422
Increase/(Decrease) in Provisions	(29,070)	69,120
Increase in Tax Liabilities	80,202	0
Increase/(Decrease) in Other Current Liabilities	169,517	(17,200)
(Increase)/Decrease in Receivables	133,093	(272,652)
(Increase) in Tax Assets	(33,489)	0
(Increase)/Decrease in Other Current Assets	6,603	21,902
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<b>94,625</b>	<b>(256,624)</b>

**19. Lease Commitments**

Operating lease commitments for IT equipment, accommodation and vehicles are as follows:

	<b>2000-2001</b>	<b>1999-2000</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	275,417	177,719
Later than one year and not later than five years	319,396	138,915
Later than five years	0	850
<b>Total</b>	<b>594,813</b>	<b>317,484</b>

Other commitments to financial statement audit contractors exist as follows.

	<b>2000-2001</b>	<b>1999-2000</b>
	<b>\$</b>	<b>\$</b>
Not later than one year	156,311	368,730
Later than one year and not later than two years	0	388,290
Later than five years	0	0
<b>Total</b>	<b>156,311</b>	<b>757,020</b>

**20. Contingent Liabilities**

At the close of the reporting period, there was no material contingent liabilities known to exist in respect of the claims against the Office.

**21. Guarantees and Undertakings by the Territory**

At the close of the reporting period, there were no guarantees or undertakings given by the Office (on behalf of the Territory) in respect of loans, interest payments, advances or overdrafts.

**22. Average Staffing Levels**

	<b>2000-2001</b>	<b>1999-2000</b>
The average staffing levels for the Office during the year were:	22.35	22.80

**23. Act of Grace Payments, Waivers and Write-Offs**

During the reporting period, there was no Act of Grace payments made by the Office pursuant of the Financial Management Act 1996. Similarly, there were no recorded waivers or write-offs of public monies approved during the period.

**24. Financial Instruments**

a) Terms, Conditions and Accounting Policies

The Office's accounting policies and the terms and conditions for each class of financial asset and liability are as follows:

<b>Recognised Financial Instruments</b>	<b>Note</b>	<b>Accounting Policies</b>	<b>Terms and Conditions</b>
<b>Financial Assets</b>			
Cash	7	Cash is stated at its nominal amount.	
Receivables	8	Receivables are recognised at the nominal amounts expected to be received for audit work completed prior to balance date.	Credit terms are net 14 days.
Tax Assets	9	Relates to GST paid on supplies to be reimbursed by the Australian Taxation Office when the Business Activity Statement is lodged.	GST paid on supplies is reimbursed on a quarterly basis.
<b>Financial Liabilities</b>			
Payables	12	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Office.	Trade liabilities are settled on 28 day terms.
Tax liabilities	14	Relates to GST collected on sales to be paid to the Australian Taxation Office when the Business Activity Statement is lodged.	GST collected on sales is paid on a quarterly basis.

b) Net Fair Values of Financial Instruments

Financial assets and liabilities are carried at their net fair value at balance date. The net fair value of financial assets and liabilities approximate their carrying value reported in the Statement of Financial Position because of:

- the short term to maturity or realisation for cash, investments and receivables; and
- the expected short term to payment of creditors and accruals.

c) Unrecognised Financial Instruments

There were no unrecognised financial assets or liabilities.

d) Credit Risk Exposure

The credit risk on the financial assets of the Office is the carrying amount of the financial assets.

e) Interest Rate Exposure

The exposure to interest rate risk and the average interest rate for each class of financial assets and liabilities is set out below:

**2000-2001**

<b>Financial Assets</b>	<b>Floating Interest Rate</b>	<b>Non Interest Bearing</b>	<b>Total</b>	<b>Effective Interest Rate</b>
Cash	0	134,546	134,546	N/A
Receivables	0	615,241	615,241	N/A
Tax assets	0	33,489	33,489	N/A
<b>Total</b>	<b>0</b>	<b>783,276</b>	<b>783,276</b>	
<b>Financial Liabilities</b>				
Payables	0	72,635	72,635	N/A
Tax Liabilities	0	80,202	80,202	N/A
<b>Total</b>	<b>0</b>	<b>152,837</b>	<b>152,837</b>	

**1999-2000**

<b>Financial Assets</b>	<b>Floating Interest Rate</b>	<b>Non Interest Bearing</b>	<b>Total</b>	<b>Effective Interest Rate</b>
Cash	0	68,144	68,144	N/A
Receivables	0	748,334	748,334	N/A
<b>Total</b>	<b>0</b>	<b>816,478</b>	<b>816,478</b>	
<b>Financial Liabilities</b>				
Payables	0	199,618	199,618	N/A
<b>Total</b>	<b>0</b>	<b>199,618</b>	<b>199,618</b>	N/A



**STATEMENT OF PERFORMANCE**

## Auditor-General's Office for the Australian Capital Territory

### Statement of Performance for the year ended 30 June 2001

<b>Overall Office Performance</b>			
<b>Measures</b>	<b>Targets</b>	<b>Result</b>	<b>Variance from Target (%)</b>
<b>Costs and Revenue</b>			
1. Internal Costs	\$2.167m	\$2.072m	(4.4)
2. Contract audit costs	\$0.630m	\$0.734m	16.5
3. Total costs	\$2.797m	\$2.806m	0.3
4. Audit cost per hour excluding contract costs	\$69.34	\$65.68	(5.3)
5. Revenue	\$2.793m	\$2.679m	(4.1)
<b>Quantity</b>			
6. Total hours charged to audits	31,250	31,545	0.9
7. Audit hours as a percentage of total standard hours	67%	68%	1.5
8. Number of reports presented to the Legislative Assembly	20	17	(15.0)

#### Explanations:

1. Internal costs were less than target due mainly to a reduction in employee costs and training expenditure.
2. Contract audit costs were higher than target due to the establishment of new audits such as the ACTEW/AGL joint venture and the Totalcare Williamsdale Quarry joint venture
3. Overall total costs were only \$9,000 above target.
4. The audit cost per hour excluding contract costs was lower than target as a result of the lower internal costs than target and more hours charged to audits than originally budgeted.
5. Revenue was less than target due a later start to financial audits than originally planned.
6. Total hours charged to audits were slightly above target.
7. Audit hours as a percentage of total standard hours were slightly above target due to more hours being charged to audits.
8. The number of reports tabled in the Legislative Assembly was three less than the original target.

## Auditor-General's Office for the Australian Capital Territory

## Statement of Performance for the year ended 30 June 2001

<b>Financial Statement Audits</b>				
<b>Measures</b>	<b>Notes</b>	<b>Targets</b>	<b>Result</b>	<b>Variance from Target (%)</b>
<b>Costs and Fees</b>				
(a) Internal Costs	1	\$1.393m	\$1.092m	(21.6)
(b) Contract audit costs	2	\$0.495m	\$0.696m	40.6
(c) Total costs	3	\$1.888m	\$1.788m	(5.3)
(d) Audit costs per hour excluding contract costs	4	\$66.33	\$61.20	(7.7)
(e) Fees charged	5	\$1.877m	\$1.766m	(5.9)
<b>Quantity</b>				
(f) Total hours charged to audits	6	21,000	17,841	(15.0)
(g) Number of audit opinions issued on financial statements	7	72	74	2.8
(h) Number of reports presented to the Legislative Assembly	8	1	1	0
<b>Quality/Effectiveness</b>				
(i) Audits performed to professional standards	9	Internal assessment	Target met	0
(j) Chief Executives satisfaction	10	90%	86.7%	(3.3)
<b>Timeliness</b>				
(k) Audits completed within 3 months of the end of the period	11	75%	86%	11.0
(l) Audits completed within the statutory time period	12	100%	100%	0

The above statement should be read in conjunction with the accompanying explanations.

## Explanations

1. Internal costs are calculated by multiplying the number of hours charged to financial statement audits by the audit cost per hour for each officer. The result was lower than target due to a later start than planned for financial audits.
2. Contract costs were above target due to increased hours spent on some of the more complex audits and larger audits. In addition, new entities such as the ACTEW/AGL and Williamsdale Quarry Joint Ventures were established during the year.
3. Total costs comprise AGO costs and contract audit costs.
4. Cost per hour of AGO staff represents total costs (measure c) less contract audit costs (measure b), divided by total hours charged to audits (measure f).
5. Fees charged to clients were lower than target due to a later start to the financial audits. This also reflects fewer hours charged to financial audits during the year.
6. The total number of hours actually worked on audits ie. it does not include leave time and other overheads.
7. This is the number of opinions issued following financial statement audits.
8. One Report is presented to the Legislative Assembly on financial audits.
9. Audits are subject to internal quality review to ensure that they meet professional standards.
10. A sample of 15 ACT Government entities, which were selected on a random basis, were requested to respond to the Office's client satisfaction survey in relation to the 1999-2000 financial audits. The results of the survey are shown below.

Performance	No. of Responses
Very Good	3
Good	8
Satisfactory	2
Poor	2
Very Poor	0
No Response	0

11. Of the 74 audit opinions issued, 18 were issued more than 3 months after the period end. Of these 18 opinions, the financial statements for 13 were not provided to the Auditor-General until after the expiration of the 3 month period following the year end. This result reflects the fact that some government agencies still find it difficult to produce their financial statements in a timely manner.
12. The Auditor-General Act 1996 mandates that audit opinions on financial audits must be issued within 30 days of receipt of the signed financial statements. In all cases this was met.

## Auditor-General's Office for the Australian Capital Territory

## Statement of Performance for the year ended 30 June 2001

<b>Performance Audits</b>				
<b>Measures</b>	<b>Notes</b>	<b>Targets</b>	<b>Result</b>	<b>Variance from Target (%)</b>
<b>Costs and Appropriation</b>				
(a) Internal Costs	1	\$0.774m	\$0.980m	26.6
(b) Contract audit costs	2	\$0.135m	\$0.038m	(71.9)
(c) Total costs	3	\$0.909m	\$1.018m	12.0
(d) Audit costs per hour excluding contract costs	4	\$75.51	\$71.51	(5.3)
(e) Appropriation	5	\$0.909m	\$0.909m	0
<b>Quantity</b>				
(f) Total hours charged to audits	6	10,250	13,704	33.7
(g) Number of reports presented to the Legislative Assembly	7	18	15	(16.7)
<b>Quality/Effectiveness</b>				
(h) Audits performed to professional standards	8	Internal Assessment	Target Met	0
(i) Legislative Assembly Members' satisfaction with reports quality	9	90%	100%	10.0
(j) Chief Executives' satisfaction	10	90%	67%	(23.0)
<b>Timeliness</b>				
(k) Percentage of audits completed within 9 months	11	11%	7%	4.0

The above statement should be read in conjunction with the accompanying explanations.

## Explanations

1. Internal costs are calculated by multiplying the number of hours charged to financial statement audits by the audit cost per hour for each officer. The result was higher than target due to additional performance audit work being undertaken.
2. Contract costs were below target due to increased hours spent on audits by internal AGO staff.
3. Total costs comprise AGO costs and contract audit costs.
4. Cost per hour of AGO staff represents total costs (measure c) less contract audit costs (measure b), divided by total hours charged to audits (measure f).
5. This is the amount provided by the Legislative Assembly for the AGO to undertake performance audits.
6. The total number of hours actually worked on audits ie. it does not include leave time and other overheads.
7. The following reports were presented to the Legislative Assembly during the year:

### *Reports Published in 2000*

Bruce Stadium Redevelopment — Summary Report  
 Bruce Stadium Redevelopment — Value for Money  
 Bruce Stadium Redevelopment — Costs and Benefits  
 Bruce Stadium Redevelopment — Decision to Redevelop the Stadium  
 Bruce Stadium Redevelopment — Selection of the Project Manager  
 Bruce Stadium Redevelopment — Financing Arrangements  
 Bruce Stadium Redevelopment — Stadium Financial Model  
 Bruce Stadium Redevelopment — Actual Costs and Cost Estimates  
 Bruce Stadium Redevelopment — Market Research and Marketing  
 Bruce Stadium Redevelopment — Stadium Hiring Agreements  
 Bruce Stadium Redevelopment — Lawfulness of Expenditure  
 Bruce Stadium Redevelopment — Governance and Management

### *Reports Published in 2001*

Enhancing Professionalism and Accountability  
 Market Research and Marketing (Second Report)  
 Peer-Based Drug Support Services Tender - 1998

8. All audits are subject to internal quality review to ensure that they meet professional standards.
9. The 17 members of the Legislative Assembly were surveyed on their satisfaction with performance audit reports. The results of the survey are shown below:

Performance	No. of Responses
Very Good	5
Good	1
Satisfactory	1
Poor	0
Very Poor	0
No response	10

10. This is a new measure added following a recommendation by Audit Victoria. Three Chief Executive's were surveyed and the responses were as follows:

Performance	No. of Responses
Very Good	1
Good	1
Satisfactory	0
Poor	1
Very Poor	0
No response	0

11. This measure covers the performance audits completed and reported in 2000-2001.

INSERT AUDIT OPINION. 1



INSERT AUDIT OPINION 2

*Appendix 2*

**FINANCIAL STATEMENT AUDITS COMPLETED IN  
2000-01**

## **FINANCIAL STATEMENT AUDITS COMPLETED IN 2000-01**

(Includes audits for years ending 30 June and 31 December 2000)

### **Whole of Territory Financial Statements**

- Consolidated Annual Financial Statements

### **Departmental Financial Statements Audits<sup>3</sup>**

- ACT Executive
- ACT Forests
- ACT Housing
- ACT Workcover
- ACTION
- Central Financing Unit
- Chief Minister's Department
- Department of Education and Community Services
- Department of Health, Housing and Community Care
- Department of Justice and Community Safety
- Department of Treasury
- Department of Urban Services
- InTACT Group
- Legislative Assembly Secretariat
- Office of Asset Management
- Superannuation and Insurance Provision Unit

### **Statutory Authorities**

- ACT Community Care
- ACT Gambling and Racing Commission
- ACT Health and Community Care Service
- Agents Board of the ACT
- Australian International Hotel School
- Building and Construction Industry Training Fund Board
- Canberra Institute of Technology
- Canberra Public Cemeteries Trust
- Canberra Tourism and Events Corporation
- Casino Surveillance Authority

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<sup>3</sup> Financial Management Guidelines 2000 (Instrument No. 243) prescribes certain parts of administrative units as separate departments. These parts have been included in this list along with all other departments.

- Construction Industry Long Service Leave Board
- Cultural Facilities Corporation
- Gungahlin Development Authority
- Healthpact
- Legal Aid Commission (ACT)
- Milk Authority of the ACT
- National Exhibition Centre Trust (EPIC)
- Public Trustee for the ACT – Office Account
- Public Trustee for the ACT – Trust Account
- Registrar of Financial Institutions
- The Canberra Hospital
- University of Canberra
- Kingston Foreshore Development Authority

### **Territory Owned Corporations and Other Companies**

- ACTEW China Pty Ltd
- ACTEW Corporation Ltd
- ACTEW Energy Ltd
- ACTEW Investments Pty Ltd
- ACTTAB Ltd
- Bruce Operations Pty Ltd
- Candeliver Ltd
- CIT Solutions Pty Ltd
- Ecowise Environment Pty Ltd
- Ecowise Services Ltd
- Gold Creek Country Club Pty Ltd
- Totalcare Industries Ltd
- University of Canberra College Pty Ltd

### ***Land Development Joint Ventures***

- Amaroo 3
- Bruce – Huntley Estate
- Dunlop1 – Jarramlee Park
- Dunlop3 – The Village
- Gordon 1 / Gordon 9 Southside Estates
- Harcourt Hill
- Ngunnawal 3B – Golden Grove
- Nicholls Lakeside Estate
- Palmerston 4

*Other Audits*

- Australian Land Transport Development Acquittal
- Australian National Training Authority Acquittal
- Braddon Gardens Joint Ventures
- Bruce Stadium Special Purpose Financial Statements
- Bruce Property Trust
- Canberra Business Development Fund
- Commonwealth State Housing Agreement Specific Purpose Report
- DETYA Grant
- Guns Buyback Scheme Acquittal
- Nicholls Primary Joint Facilities
- Nominal Insurer
- Workers' Compensation Supplementation Fund

*Appendix 3*

**WHOLE OF GOVERNMENT ISSUES**

## Freedom of Information

Section 7 of the *Freedom of Information Act 1989* requires the publication of a statement outlining the organisation, functions and decision making powers of the Auditor-General's Office, its consultative procedures with the public, documents in its possession, and facilities and procedures for obtaining access to documents.

Information on organisation, functions and powers is provided in detail in chapter 1 of this report.

By virtue of his statutory appointment under the *Auditor-General Act 1996*, the Auditor-General and by extension his staff, is independently responsible to the public, through their representatives in the ACT Legislative Assembly, for the audit of all ACT public sector agencies. The Auditor-General's powers are conferred by the *Auditor-General Act 1996* and by other legislation.

The Auditor-General has statutory responsibilities to report to the Legislative Assembly on the efficiency, effectiveness, economy and accountability of the ACT Public Sector. These audit reports are scrutinised by the Legislative Assembly and are available to the public when tabled. The reports are also closely reviewed by the Standing Committee on Finance and Public Administration. Furthermore, audit scrutiny of all the Office's activities has recently been undertaken by an independent performance auditor who reported to the Legislative Assembly. When taken together, these reviews mean that the Auditor-General's Office is subject to more scrutiny and review than other agencies.

During the course of its work, the Auditor-General's Office obtains documents from all Territory departments and agencies. These working papers are considered exempt documents under the *Freedom of Information Act 1989*. People seeking information pertaining to the operations and/or decisions of ACT agencies would be advised to seek access to the documents from the agencies concerned.

Section 8 of the Freedom of Information Act requires agencies to make available to the public copies of documents that are used by officers in making decision or recommendations. The chief function of the Auditor-General's Office is the preparation of performance and financial audits. In the conduct of both types of audits, the Office is guided by Australian

Accounting and Auditing Standards. A brief guide to the conduct of performance audits is also available on the Office web site and on request from the Office.

### **Public Interest Disclosure**

Under the *Public Interest Disclosure Act 1994*, both the Ombudsman and the Auditor-General are proper authorities to receive public interest disclosures from persons. During 2000-01 no disclosures were received. The Office did, however, provide advice to individuals on the use of the Act. Guidance on the Act can also be found on the Public Sector Management Group's website at [www.psm.act.gov.au](http://www.psm.act.gov.au).

The Office also regularly receives written and verbal information from members of the public on suspected areas of mismanagement or inefficiencies in ACTPS agencies. This information is considered seriously and taken to account in the planning of future audits.

During 2000-01 work continued on a public interest disclosure received in a previous year on Corrective Services. A report on this matter is to be tabled in 2001-02.

### **Ecologically Sustainable Development**

Section 158A of the *Environment Protection Act 1997* requires agencies to report on how their operations accord with and contribute to the principles of ecologically sustainable development.

Subsection 12 (2) requires the Auditor-General, where appropriate in the conduct of a performance audit, to take into account environmental issues and to have regard to the principles of ecologically sustainable development. The Office considers the significance of environmental and ecologically sustainable development issues in its performance audits. The Office is also a member of the Australian and South Pacific Working Group on Environmental Auditing.

### **Staffing Profile**

*Table A3.1* shows the staff on the payroll as at 30 June.



	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Full-Time	20	24	25	22
Part-Time				1
<b>TOTAL</b>	<b>20</b>	<b>24</b>	<b>25</b>	<b>23</b>

For details of classification and gender see *Table A3.2* below.

The number of staff employed in the Office was 23 as at 30 June 2001. This was a decrease of two from the number of staff as at 30 June 2000. The full time equivalent staffing level as at 30 June 2001 was 22.8.

The Auditor-General is appointed under the *Auditor-General Act 1996*. All other staff are employed under the *Public Sector Management Act 1994*.

Two director positions were created and filled in 2000-01. The employment contracts for both directors were tabled in the Legislative Assembly on 15 June 2001. Both directors are employed at level 1.1.

All other members of staff are covered by an Australian Workplace Agreement. The 1999 Agreement was collectively renegotiated in 2001 and signed by all staff members early in 2001-02.

The following remuneration ranges by classification will take effect from 1 January 2002:

Auditors/Administrative Officers	\$31,000 to 44,000
Audit Seniors/Administrative Officers	\$46,00 to \$62,000
Audit Managers	\$65,000 to 92,000

### **Equity and Diversity**

The Office participates in the EEO program coordinated by the Chief Minister’s Department. Because of its small size, however, the Auditor-General has not developed an agency specific Equal Employment Opportunity Program.

The Auditor-General takes direct responsibility for all EEO issues. The Office continues to promote and maintain EEO and incorporates EEO

principles in relation to employment matters and through its internal consultative mechanisms. It also promotes a harassment free environment for all employees. Relevant EEO statistics as at 30 June 2001 are as follows:

<b>Position</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>NESB</b>	<b>ATSI</b>	<b>Disabled</b>
Auditor-General	1		<b>1</b>			
Director	2		<b>2</b>			
Audit Manager	5		<b>5</b>	1		
Audit Senior	4	2	<b>6</b>	4		
Auditor	4	3	<b>7</b>	5		
Administrative Officer		2	<b>2</b>			
<b>TOTAL</b>	<b>16</b>	<b>7</b>	<b>23</b>	<b>10</b>		

Because of its size, staff are encouraged and able to participate in all Office operations and in developing work-related procedures which affect them.

The Office Management Committee considers staff opinion and feedback on issues. Additionally, the open working relationships in a compact office allow for individuals to express their opinions and preferences freely.

Audits conducted by the Auditor-General's Office do not directly impact on specific groups within the community.

As part of the Office's operating philosophy to encourage open communication with Ministers, Assembly Members, auditee officials and other interested parties, the Office ensures that the Government's commitment to equity and diversity are fully considered in order to prepare balanced, fair and constructive audit reports. Natural justice is provided to all parties directly involved in the preparation of reports of audits.

## Training and Staff Development

The Auditor-General's Office continues to provide all its staff with the opportunities to develop their skills and competencies for:

- the achievement of professional performance in conducting audits; and
- the enhancement of career prospects.

This is in line with the ACT Government's commitment to giving high priority to training and development.

Total expenditure as disclosed in the Financial Statements was \$21,732 which is equivalent to 1.6% of salaries. Only costs of attendance at external courses have been included. If internal training and time attending external courses in official hours of duty were incorporated, the total expenditure reported on training would be significantly higher.

As in previous years the emphasis on performance auditing continues to create a challenge to broaden the skills of the staff who are not specialist performance auditors. Professional development continues to concentrate on improving the essential competencies needed for effective performance auditing. These include information gathering, investigation techniques, analytical skills and report writing. Professional development also provides staff members with an understanding of organisation theory, general management practices, financial management, human resource management and information systems. A significant part of training undertaken in 2000-01 was an investigation methods course attended by several members of staff.

All staff prepare performance plans, These are subject to careful review by supervisors and provide clear information on performance to each officer.

The Office actively encourages its staff to work towards professional status in their careers. The achievement of professional standing by staff enhances the competence and perception of the Office in the eyes of its stakeholders.

Support has been provided to staff to gain post-graduate professional qualifications from programs conducted by CPA Australia and the Institute of Chartered Accountants in Australia. The Office pays the course fees for staff seeking these qualifications and for the membership of these associations.

During 2000-01 the following staff completed these post-graduate qualifications:

Nancy Choy, CA  
Greg Martin, CPA  
Mark Scanes, CPA

### **Occupational Health and Safety**

The Office promotes and maintains Occupational Health and Safety (OH&S) in the workplace and participates in the OH&S Program coordinated by the ACT Occupation Health and Safety Unit of the Chief Minister's Department.

There have been no accidents or incidents. The Office layout and work practices are such that the working environment is safe and healthy.

### **Workers' Compensation**

There have been no workers' compensation claims in the year ended 30 June 2001. There were no 'open' claims at 30 June 2001.

### **Fraud Prevention**

The Office is a small agency and handles no cash other than petty cash. Risks of fraud are considered low. There has to date been no detection of fraudulent activity in the Office. A fraud control plan, which was prepared some years ago has been regularly reviewed and revised where necessary.

### **Consultancy and Contractor Services**

During 2000-01, several private firms were contracted to assist with various audits. Details are provided in *Table A3.3*. The fees represent the work performed during the year and not the value of contracts since the performance and payments for most contracts do not necessarily coincide exactly with financial years. The Office also employed temporary staff to meet peak financial statement and performance audit workloads.

**Table A3.3 – Consultancy and Contractor Expenses**

<b>Firm</b>	<b>Date Contract Let</b>	<b>Financial Audits \$</b>	<b>Performance Audits \$</b>	<b>Total \$</b>
Access Economics	27 July 2000		5,673	5,673
Acumen Alliance	1 April 1999	10,000		10,000
Arthur Anderson	2 May 2000	22,323		22,323
Australian Government Solicitor	15 March 2000		31,898	31,898
Deloitte Touche Tohmatsu	1 April 1999 20 April 2000	75,380		75,380
Duesburys	1 April 1999	18,700		18,700
Ernst & Young	1 April 1999 20 April 2000	52,300		52,300
InTACT Group			873	873
KPMG	11 April 2001 20 July 2001	101,050		101,050
PricewaterhouseCoopers	9 May 2000 1 March 2001	351,670		351,670
Walter & Turnbull	20 April 2000 9 May 2000	64,753		64,753
<b>TOTAL</b>		<b>\$696,176</b>	<b>\$38,444</b>	<b>\$734,620</b>

The selection and management of consultants and contractors is consistent with the ACT Government Procurement Guidelines and Circulars and *Consultancy Guidelines: Achieving the Effective Use of Consultants in the ACT Public Service*.

### **Related Party Disclosures**

The Australian Accounting Standard 'Related Party Disclosures' (AAS 22) applies only to private sector entities. The Standard requires the notes to the financial statements of private sector entities to disclose any significant transactions that have taken place between the directors of an entity and the entity. The Audit Office believes that it is best practice for government agencies to provide a similar statement of disclosure in their annual reports. In the case of government agencies, senior officers can be regarded as similar to directors. The following statement is therefore provided in regard to the senior officers in the Audit Office listed in Chapter 1. This statement will be provided in the notes to the financial statements in future years.

No transactions of a nature requiring disclosure under AAS 22 occurred during 2000-01.

In addition, the Office is unaware of any actual or potential conflicts of interest for staff in performing their duties other than the following matter, which was declared and satisfactorily resolved. The Director of Financial

Audits is the brother of a partner in Walter & Turnbull, which has conducted financial audits under contract for the Audit Office. This matter was addressed by the Director of Financial Audits not being involved in the selection of Walter & Turnbull or in the management of the contract.

No other relationships exist between senior staff and other parties that require disclosure.

### **ACT Government Passenger Vehicles**

The Office has three leased six cylinder vehicles for the Auditor-General and the two directors. These vehicles are used as required for official business by staff.

### **Other Reporting Requirements**

No matters occurred which require reporting in regard to the following:

- Commissioner for the Environment;
- Royal Commission into Aboriginal Deaths in Custody;
- Customer Focussed Public Service;
- Asset Management Strategy;
- Capital Works Management; and
- Government Contractual Debts (Interest) Act 1994.

## **Annexure**

### *Reports Published in 1996*

- 1 Legislative Assembly Members - Superannuation Payments/Members' Staff - Allowances and Severance Payments**
- 2 1995 Taxi Plates Auction**
- 3 VMO Contracts**
- 4 Land Joint Ventures**
- 5 Management of Former Sheep Dip Sites**
- 6 Collection of Court Fines**
- 7 Annual Management Report For Year Ended 30 June 1996**
- 8 Australian International Hotel School**
- 9 ACT Cultural Development Funding Program**
- 10 Implementation of 1994 Housing Review**
- 11 Financial Audits with Years Ending to 30 June 1996**

### *Reports Published in 1997*

- 1 Contracting Pool and Leisure Centres**
- 2 Road and Streetlight Maintenance**
- 3 1995-96 Territory Operating Loss**
- 4 ACT Public Hospitals - Same Day Admissions  
Non Government Organisation - Audit of Potential Conflict of Interest**
- 5 Management of Leave Liabilities**
- 6 The Canberra Hospital Management's Salaried Specialists Private Practice**
- 7 ACT Community Care - Disability Program and Community Nursing**
- 8 Salaried Specialists' Use of Private Practice Privileges**
- 9 Fleet Leasing Arrangements**
- 10 Public Interest Disclosures - Lease Variation Charges and Corrective Services**
- 11 Annual Management Report for Year Ended 30 June 1997**
- 12 Financial Audits with Years Ending to 30 June 1997**
- 13 Management of Nursing Services**

Annexure (continued)

*Reports Published in 1998*

- 1 Management of Preschool Education**
- 2 Lease Variation Charges - Follow-up Review**
- 3 Major IT Projects - Follow-up Review**
- 4 Annual Management Report for Year Ended 30 June 1998**
- 5 Management of Housing Assistance**
- 6 Assembly Members' Superannuation and Severance Payments to Former Members' Staffers**
- 7 Magistrates Court Bail Processes**
- 8 Territory Operating Losses and Financial Position**
- 9 Financial Audits with Years Ending To 30 June 1998**
- 10 Management of Schools Repairs and Maintenance**
- 11 Overtime Payment To A Former Legislative Assembly Member's Staffer**

*Reports Published in 1999*

- 1 Stamp Duty on Motor Vehicle Registrations**
- 2 The Management of Year 2000 Risks**
- 3 Annual Management Report for Year Ended 30 June 1999**
- 4 Financial Audits With Years Ending to 30 June 1999**

*Reports Published in 2000*

- 1. Bruce Stadium Redevelopment — Summary Report**
- 2. Bruce Stadium Redevelopment — Value for Money**
- 3. Bruce Stadium Redevelopment — Costs and Benefits**
- 4. Bruce Stadium Redevelopment — Decision to Redevelop the Stadium**
- 5. Bruce Stadium Redevelopment — Selection of the Project Manager**
- 6. Bruce Stadium Redevelopment — Financing Arrangements**
- 7. Bruce Stadium Redevelopment — Stadium Financial Model**
- 8. Bruce Stadium Redevelopment — Actual Costs and Cost Estimates**
- 9. Bruce Stadium Redevelopment — Market Research and Marketing**



Annexure (continued)

- 10. Bruce Stadium Redevelopment — Stadium Hiring Agreements**
- 11. Bruce Stadium Redevelopment — Lawfulness of Expenditure**
- 12. Bruce Stadium Redevelopment — Governance and Management**
- 13. Annual Management Report for the Year Ended 30 June 2000**

*Reports Published in 2001*

- 1. Financial Audits with Years Ending to 30 June 2000**
- 2. Enhancing Professionalism and Accountability**
- 3. Market Research and Marketing (Second Report)**
- 4. Peer-Based Drug Support Services Tender – 1998**
- 5. The Administration of Payroll Tax**

### **Availability of Reports**

Copies of Reports issued by the ACT Auditor-General's Office are available from:

ACT Auditor-General's Office  
Scala House  
11 Torrens Street  
BRADDON ACT 2612

or

PO Box 275  
CIVIC SQUARE ACT 2608

Phone (02) 62070833 / Fax (02) 62070826

Copies of Reports are also available from the  
ACT Auditor-General's Homepage: <http://www.audit.act.gov.au>